



Victorian Budget 2020/21

Putting People First

Statement of Finances

(incorporating Quarterly Financial Report No. 1)

Budget Paper No. 4

Presented by Tim Pallas MP,

Treasurer of the State of Victoria



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Budget Paper No. 4 – Statement of Finances
(incorporating Quarterly Financial Report No. 1)

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Statement of Finances

2020-21



Presented by

Tim Pallas MP

Treasurer of the State of Victoria
for the information of Honourable Members

Budget Paper No. 4

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CHAPTER 1 – ESTIMATED FINANCIAL STATEMENTS FOR THE GENERAL GOVERNMENT SECTOR

The following Estimated Financial Statements and accompanying explanatory notes set out the forecast financial results for the Victorian general government sector for the period 2020-21 to 2023-24.

The Estimated Financial Statements have been prepared in accordance with the *Financial Management Act 1994*. This Act requires the Estimated Financial Statements to be consistent with the financial policy objectives and strategies statement (see Budget Paper No. 2, Chapter 1 *Economic and Fiscal Overview*), in a manner and form determined by the Treasurer, having regard to appropriate financial reporting frameworks.

The statements have been prepared having regard to applicable Australian Accounting Standards (AASs). As there is no specific Australian accounting standard or authoritative pronouncement that prescribes the preparation and presentation of prospective financial statements, the Estimated Financial Statements have been prepared based on the principles set out in the New Zealand Public Benefit Entity Financial Reporting Standard 42 *Prospective Financial Statements* (FRS-42).

The statements are presented in a manner consistent with the principles of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. This standard is also consistent with the Uniform Presentation Framework (UPF) as it relates to the general government sector. Chapter 2 *Supplementary uniform presentation framework tables* includes additional disclosures relating to the UPF.

Appropriate professional judgement has been applied in preparing the Estimated Financial Statements. However, the ongoing and uncertain impact of the coronavirus (COVID-19) pandemic and the associated impact on future economic conditions and the resulting policy responses from the Victorian and Commonwealth governments and their financial implications means that these estimates are subject to a much higher degree of uncertainty when compared with forecasts prepared in recent years.

The Victorian Auditor-General has reviewed the Estimated Financial Statements and his review report follows.

ESTIMATED FINANCIAL STATEMENTS STRUCTURE

The Estimated Financial Statements of the Victorian general government sector, prepared in accordance with sections 23H–23K of the *Financial Management Act 1994*, are presented as follows:

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	Land, buildings, infrastructure, plant and equipment, and other non-financial assets	
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Independent Assurance Report

To the Members of the Parliament of Victoria

My responsibility to you under section 19 of the *Audit Act 1994* is to review the estimated financial statements for the Victorian General Government Sector and provide you with a report of my assurance conclusions.

Scope	<p>I have reviewed the Estimated Financial Statements for the Victorian General Government Sector which comprise the:</p> <ul style="list-style-type: none">• budgeted comprehensive operating statement for the year ending 30 June 2021 and estimated comprehensive operating statement for the three forward years ending 30 June 2022, 2023 and 2024• budgeted balance sheet as at 30 June 2021 and estimated balance sheet for the three forward years as at 30 June 2022, 2023 and 2024• budgeted cash flow statement for the year ending 30 June 2021 and estimated cash flow statement for the three forward years ending 30 June 2022, 2023 and 2024• budgeted statement of changes in equity for the year ending 30 June 2021 and estimated statement of changes in equity for the three forward years ending 30 June 2022, 2023 and 2024• notes to the estimated financial statements, including significant accounting policies, material economic and other assumptions and other explanatory information• certification by the Treasurer and the Secretary of the Department of Treasury and Finance. <p>The stated basis of preparation used for the estimated financial statements is set out in Note 1.1 to the statements.</p> <p>The estimated financial statements are included in Chapter 1 of <i>Budget Paper 4: Statement of Finances</i> of the 2020–21 State Budget. My review does not include any of the remaining chapters of Budget Paper 4 nor does it include Budget Papers 1 through 3 of the 2020–21 State Budget.</p>
Conclusion	<p>Based on my review, which is not an audit, nothing has come to my attention which causes me to believe that the estimated financial statements:</p> <ul style="list-style-type: none">• have not been prepared on a basis consistent with the accounting policies on which they are stated to be based, as set out in the notes to the estimated financial statements• are not consistent with the targets specified in the current financial policy objectives and strategies statement for each key financial measure specified in that statement, as set out in Note 1.1 to the estimated financial statements• have not been properly prepared on the basis of the assumptions contained in the accompanying statement prepared in association with the statements under section 23K of the <i>Financial Management Act 1994</i> and as contained in the notes to the estimated financial statements• do not use reasonable methodologies to determine those assumptions.

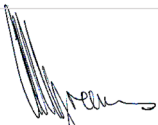
REPORT OF THE AUDITOR-GENERAL (*continued*)

Basis for conclusion	<p>I have conducted my review in accordance with the Australian Standard on Assurance Engagements ASAE 3450 <i>Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information</i>. A review is a limited assurance engagement which is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable me to obtain reasonable assurance that I would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, I do not express a reasonable assurance conclusion (audit opinion).</p> <p>My review consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. I have relied on representations from the Department of Treasury and Finance that all material information concerning the estimated financial statements has been disclosed to me and that the information provided to me for the purpose of my work is true, complete and accurate in all respects.</p> <p>The Treasurer has prepared the estimated financial statements that set out the projected financial performance of the Victorian General Government Sector for 2020–21 State Budget purposes. There is a considerable degree of subjective judgement involved in preparing these statements, including the assumptions, as they relate to future events and/or transactions that the Treasurer expects to occur and actions that the Treasurer expects to take. The estimated financial statements are also subject to uncertainties and contingencies, which are often outside the control of the Treasurer.</p> <p>Actual results may be different from the estimated financial statements since anticipated events and/or transactions may not occur as expected and the variation may be material. I am not responsible for ensuring the estimated financial results are achieved, and I express no opinion as to whether the estimated results will be achieved.</p> <p>The limited assurance conclusion expressed in my assurance report has been formed on the above basis.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Victorian General Government Sector in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my review of the estimated financial statements in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>My responsibilities under the <i>Audit Act 1994</i> and ASAE 3450 are further described in <i>My Responsibilities for the Review of the Estimated Financial Statements</i> section of my report.</p>
Emphasis of matter	<p>I draw attention to Note 1.1 of the estimated financial statements which describes the higher degree of uncertainty in the estimates resulting from the emerging and uncertain impact of the coronavirus (COVID-19) pandemic, and the key COVID-19 assumptions that underpin the estimates. My conclusion is not modified in respect of this matter.</p>

REPORT OF THE AUDITOR-GENERAL *(continued)*

Other information	<p>The Treasurer of Victoria is responsible for other information included in the remaining chapters of Budget Paper 4 and Budget Papers 1 through 3 of the 2020-21 State Budget. My review of the estimated financial statements does not cover this other information and accordingly I do not express any form of assurance conclusion on it.</p> <p>As part of my review of the estimated financial statements, I have read the remaining chapters of Budget Paper 4 and Budget Papers 2 and 3 of the 2020-21 State Budget and, in doing so, considered whether the other information is materially inconsistent with the estimated financial statements or my knowledge obtained in the review or otherwise appears to be materially misstated. I have nothing to report in this regard.</p>
Treasurer's responsibilities for the estimated financial statements	<p>The Treasurer of Victoria is responsible for the preparation of the estimated financial statements in accordance with sections 23H-23K of the <i>Financial Management Act 1994</i>, and for such internal control as is determined necessary to enable the preparation of the estimated financial statements.</p>
My responsibilities for the review of the estimated financial statements	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to state whether, on the basis of my review, anything has come to my attention that would cause me to believe:</p> <ul style="list-style-type: none">• the estimated financial statements have not been prepared on a basis consistent with the accounting policies on which they are stated to be based, as set out in the notes to the estimated financial statements• the estimated financial statements are not consistent with the targets specified in the current financial policy objectives and strategies statement for each key financial measure specified in that statement, as set out in Note 1.1 to the estimated financial statements• the estimated financial statements have not been properly prepared on the basis of the assumptions contained in the accompanying statement prepared in association with the statements under section 23K of the <i>Financial Management Act 1994</i> and as contained in the notes to the estimated financial statements• the methodologies used to determine those assumptions are not reasonable. <p>I do not accept any responsibility for any reliance on these estimated financial statements for any purpose other than that for which it was prepared.</p>

MELBOURNE
20 November 2020



Andrew Greaves
Auditor-General

CERTIFICATION BY THE TREASURER AND THE DEPARTMENT OF TREASURY AND FINANCE

The Estimated Financial Statements of the Victorian general government sector have been prepared on the basis of the economic and fiscal information available to the Department of Treasury and Finance.

In our opinion, the Estimated Financial Statements, which comprise the estimated general government sector comprehensive operating statement, balance sheet, cash flow statement, statement of changes in equity, together with the notes to the estimated financial statements for the year ending 30 June 2021 and the three forward years ending 30 June 2022, 2023 and 2024:

- (a) have been prepared in accordance with sections 23H–23K of the *Financial Management Act 1994*, having regard to relevant Australian Accounting Standards and pronouncements, and in the absence of an Australian Accounting Standard for the preparation of prospective financial statements, New Zealand Public Benefit Entity Financial Reporting Standard 42 *Prospective Financial Statements*;
- (b) take into account government decisions and other circumstances that may have a material effect; and
- (c) have been prepared using best professional judgement given the prospective nature of the Estimated Financial Statements.

At the time of signing, we are not aware of any circumstances that would render any particulars included in the Estimated Financial Statements to be misleading.



Tim Pallas MP

Treasurer

18 November 2020



David Martine

Secretary

ESTIMATED CONSOLIDATED GENERAL GOVERNMENT SECTOR COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June

(\$ million)

	Notes	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Revenue and income from transactions					
Taxation	1.2.1	20 928	23 700	26 021	27 565
Interest income		637	619	609	605
Dividends, income tax equivalent and rate equivalent income	1.2.2	534	494	534	606
Sales of goods and services	1.2.3	8 433	9 043	9 325	9 448
Grants	1.2.4	33 483	34 591	38 210	40 059
Other revenue and income	1.2.5	2 673	2 869	3 048	3 165
Total revenue and income from transactions		66 687	71 315	77 747	81 448
Expenses from transactions					
Employee expenses		29 971	30 643	32 081	33 306
Net superannuation interest expense	1.3.2	305	311	299	284
Other superannuation	1.3.2	3 329	3 376	3 424	3 527
Depreciation	1.4.2	4 145	4 365	4 592	4 834
Interest expense	1.5.3	2 813	3 038	3 424	3 895
Grant expense	1.3.3	22 009	18 816	17 464	17 531
Other operating expenses	1.3.4	27 397	23 865	23 188	23 960
Total expenses from transactions	1.3.5	89 968	84 413	84 472	87 337
Net result from transactions – net operating balance		(23 281)	(13 098)	(6 725)	(5 889)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets		10	28	46	27
Net gain/(loss) on financial assets or liabilities at fair value		(13)	(11)	(6)	4
Share of net profit/(loss) from associates/joint venture entities		(2)	..	..	..
Other gains/(losses) from other economic flows	1.7.1	(376)	(410)	(434)	(408)
Total other economic flows included in net result		(382)	(393)	(394)	(378)
Net result		(23 663)	(13 491)	(7 119)	(6 266)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus		1 590	939	5 375	4 765
Remeasurement of superannuation defined benefit plans	1.3.2	(676)	1 372	1 392	1 412
Other movements in equity		17	26	24	24
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value		3	3	3	3
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	1.6.1	(3 912)	(5 713)	(4 376)	(4 721)
Total other economic flows – other comprehensive income		(2 978)	(3 373)	2 418	1 483
Comprehensive result – total change in net worth		(26 641)	(16 864)	(4 701)	(4 783)
KEY FISCAL AGGREGATES					
Net operating balance		(23 281)	(13 098)	(6 725)	(5 889)
Less: Net acquisition of non-financial assets from transactions	1.3.7	8 911	6 346	10 171	10 435
Net lending/(borrowing)		(32 192)	(19 444)	(16 896)	(16 324)

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

ESTIMATED FINANCIAL STATEMENTS

ESTIMATED CONSOLIDATED GENERAL GOVERNMENT SECTOR BALANCE SHEET

As at 30 June

(\$ million)

	Notes	2020 actual ^(a)	2021 budget ^(b)	2022 estimate	2023 estimate	2024 estimate
Assets						
Financial assets						
Cash and deposits		13 037	12 193	12 321	12 530	12 855
Advances paid	1.5.2	6 550	4 826	4 705	4 633	4 627
Receivables and contract assets		6 108	7 795	6 283	6 637	7 114
Investments, loans and placements	1.5.2	2 589	2 578	2 486	2 503	2 567
Investments accounted for using equity method		10	10	10	10	10
Investments in other sector entities	1.6.1	75 043	78 269	80 743	82 242	82 324
Total financial assets		103 337	105 671	106 547	108 555	109 497
Non-financial assets						
Inventories		666	258	262	266	269
Non-financial assets held for sale		192	203	215	214	185
Land, buildings, infrastructure, plant and equipment	1.4.1, 1.4.3	173 743	184 698	192 539	208 148	223 082
Other non-financial assets	1.4.4	3 103	2 829	2 652	2 420	2 229
Total non-financial assets		177 703	187 988	195 668	211 048	225 765
Total assets	1.4.5	281 040	293 659	302 215	319 603	335 262
Liabilities						
Deposits held and advances received		3 681	1 822	1 468	1 443	1 446
Payables	1.6.2	16 802	15 298	18 829	18 535	17 822
Contract liabilities	1.6.2	68	68	68	68	68
Borrowings	1.5.1	62 807	104 510	127 707	151 107	173 371
Employee benefits	1.3.1	9 028	9 349	9 657	9 969	10 286
Superannuation	1.6.3	31 228	31 842	30 536	29 197	27 759
Other provisions		1 335	1 355	1 400	1 433	1 444
Total liabilities		124 949	164 244	189 664	211 753	232 195
Net assets		156 092	129 415	112 551	107 850	103 067
Accumulated surplus/(deficit)		68 166	43 812	31 719	26 015	21 185
Reserves		87 925	85 604	80 833	81 835	81 881
Net worth		156 092	129 415	112 551	107 850	103 067
FISCAL AGGREGATES ^(c)						
Net financial worth		(21 612)	(58 573)	(83 117)	(103 197)	(122 698)
Net financial liabilities		96 654	136 842	163 860	185 440	205 022
Net debt		44 312	86 735	109 664	132 884	154 768

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

Notes:

(a) The 2020 balance represents the 30 June 2020 actual closing balances from the 2019-20 Financial Report.

(b) Balances represent actual opening balances at 1 July 2020 plus 2020-21 budgeted movements.

(c) The fiscal aggregates are defined in Note 9.10 of the 2019-20 Financial Report.

ESTIMATED CONSOLIDATED GENERAL GOVERNMENT SECTOR CASH FLOW STATEMENT

For the financial year ended 30 June

(\$ million)

	Notes	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Cash flows from operating activities					
Receipts					
Taxes received		19 283	25 377	25 819	27 187
Grants		32 277	34 667	38 210	40 059
Sales of goods and services and other receipts ^(a)		11 243	15 247	12 277	12 395
Interest received		624	602	592	589
Dividends, income tax equivalent and rate equivalent receipts		528	489	528	600
Total receipts		63 955	76 381	77 427	80 830
Payments					
Payments for employees		(29 657)	(30 341)	(31 777)	(33 002)
Superannuation		(3 695)	(3 621)	(3 669)	(3 837)
Interest paid		(2 450)	(2 662)	(2 914)	(3 397)
Grants and subsidies		(21 964)	(18 818)	(17 467)	(17 534)
Goods and services ^(a)		(26 740)	(23 962)	(23 297)	(24 039)
Other payments		(1 252)	(1 023)	(906)	(862)
Total payments		(85 759)	(80 427)	(80 029)	(82 671)
Net cash flows from operating activities		(21 803)	(4 046)	(2 602)	(1 842)
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	1.3.6	(16 534)	(16 562)	(17 825)	(18 103)
Sales of non-financial assets		258	520	548	381
Net cash flows from investments in non-financial assets		(16 276)	(16 042)	(17 277)	(17 722)
Net cash flows from investments in financial assets for policy purposes		1 193	143	196	220
Subtotal		(15 083)	(15 899)	(17 081)	(17 502)
Net cash flows from investment in financial assets for liquidity management purposes		..	34	(53)	(66)
Net cash flows from investing activities		(15 083)	(15 865)	(17 134)	(17 568)
Cash flows from financing activities					
Advances received (net)		(1 870)	(357)	(28)	..
Net borrowings		37 901	20 392	19 970	19 732
Deposits received (net)		11	3	3	3
Net cash flows from financing activities		36 042	20 038	19 945	19 735
Net increase/(decrease) in cash and cash equivalents		(844)	127	209	325
Cash and cash equivalents at beginning of reporting period		13 037	12 193	12 321	12 530
Cash and cash equivalents at end of reporting period		12 193	12 321	12 530	12 855
FISCAL AGGREGATES					
Net cash flows from operating activities		(21 803)	(4 046)	(2 602)	(1 842)
Net cash flows from investments in non-financial assets		(16 276)	(16 042)	(17 277)	(17 722)
Cash surplus/(deficit)		(38 080)	(20 088)	(19 879)	(19 564)

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

Note:

(a) Sales of goods and services and payments for goods and services are inclusive of goods and services tax.

ESTIMATED FINANCIAL STATEMENTS

ESTIMATED CONSOLIDATED GENERAL GOVERNMENT SECTOR STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June

(\$ million)

	Accumulated surplus/(deficit)	Non-financial assets revaluation surplus
2020-21 budget		
Balance at 1 July 2020	68 131	54 379
Net result for the year	(23 663)	..
Other comprehensive income for the year	(656)	1 590
Total equity as at 30 June 2021 ^(a)	43 812	55 968
2021-22 estimate		
Balance at 1 July 2021	43 812	55 968
Net result for the year	(13 491)	..
Other comprehensive income for the year	1 398	939
Total equity as at 30 June 2022	31 719	56 908
2022-23 estimate		
Balance at 1 July 2022	31 719	56 908
Net result for the year	(7 119)	..
Other comprehensive income for the year	1 416	5 375
Total equity as at 30 June 2023	26 015	62 283
2023-24 estimate		
Balance at 1 July 2023	26 015	62 283
Net result for the year	(6 266)	..
Other comprehensive income for the year	1 436	4 765
Total equity as at 30 June 2024	21 185	67 048

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

Note:

(a) Balances represent actual opening balances at 1 July 2020 plus 2020-21 budgeted movements.

ESTIMATED FINANCIAL STATEMENTS

<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
32 639	908	156 057
..	..	(23 663)
(3 912)	1	(2 978)
28 727	908	129 415
28 727	908	129 415
..	..	(13 491)
(5 713)	3	(3 373)
23 014	911	112 551
23 014	911	112 551
..	..	(7 119)
(4 376)	3	2 418
18 638	914	107 850
18 638	914	107 850
..	..	(6 266)
(4 721)	3	1 483
13 917	917	103 067

1.1 ABOUT THIS REPORT

Basis of preparation

This note summarises the basis applied in preparing and presenting these Estimated Financial Statements, which include the budget year and the estimates for the three subsequent years.

The detailed accounting policies applied in preparing the Estimated Financial Statements are consistent with those in the *2019-20 Financial Report* for the State of Victoria as presented to Parliament. The audited 30 June 2020 asset and liability balances, as reported in the *2019-20 Financial Report*, form the basis on which asset and liability balances are projected over the next four years.

The Estimated Financial Statements for the 2020-21 budget year have been prepared in accordance with accounting policies expected to be used in preparing historically oriented general purpose financial statements for that year, and the same accounting policies have been used for the subsequent three years.

The accrual basis of accounting has been applied in preparing the Estimated Financial Statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The Estimated Financial Statements are presented in Australian dollars, which is the functional currency of the Victorian general government sector.

The Estimated Financial Statements have been prepared in accordance with the historical cost convention except as indicated below. Historical cost is based on the fair value of the consideration given in exchange for assets. Exceptions to the historical cost convention include:

- the general government sector investments in other sector entities which are measured at net asset value;
- non-financial physical assets including service concession arrangement assets and right-of-use assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- intangible service concession arrangement assets which subsequent to acquisition are measured at a revalued amount being their fair value;
- productive trees in commercial native forests, which are measured at their fair value less estimated costs to sell;
- derivative financial instruments, managed investment schemes, certain debt securities and investment properties after initial recognition, which are measured at fair value with changes reflected in the consolidated comprehensive operating statement (fair value through profit or loss or fair value through other comprehensive income); and
- certain liabilities, most notably unfunded superannuation and insurance claim provisions, which are subject to actuarial assessments.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. However, the emerging and uncertain impact of the coronavirus (COVID-19) pandemic and the associated impact on future economic conditions means that these estimates are subject to a much higher degree of uncertainty when compared with forecasts prepared in recent years. Given the prospective nature of the Estimated Financial Statements, actual results are likely to differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected.

For assets and liabilities measured at fair value in the estimated balance sheet, the principles under AASB 13 *Fair Value Measurement* have been applied.

As required by AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049), the estimated comprehensive operating statement distinguishes between Transactions and Other economic flows based on the principles in the *Government Finance Statistics (GFS) Manual*. Transactions are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement, and also flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and the taxpayer. Transactions may be cash or settled in kind (e.g. assets received/given free of charge or for nominal consideration).

Other economic flows are changes arising from market remeasurements. They include:

- gains and losses from asset disposals;
- revaluations and impairments of non-financial physical and intangible assets;
- remeasurement arising from defined benefit superannuation plans;
- fair value changes of financial instruments and agricultural assets; and
- depletion of natural assets (non-produced) from their use or removal.

All amounts in the Estimated Financial Statements have been rounded to the nearest \$1 million unless otherwise stated. The Estimated Financial Statements may not add due to rounding.

Reporting entity

The Estimated Financial Statements are prepared for the general government sector, which includes all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost. The primary function of entities within the general government sector is to provide public services (outputs), which are mainly non-market in nature, for the collective consumption of the community. These services are primarily funded through transferring or redistributing revenue that is collected mainly through taxes and other compulsory levies.

The general government sector is not a separate entity but represents a sector within the State of Victoria reporting entity. Unless otherwise noted, accounting policies applied by the State apply equally to the general government sector.

Basis for consolidation

The Estimated Financial Statements present the estimated consolidated results and position of all reporting entities in the general government sector that are controlled by the State, consistent with the principles of AASB 1049 and AASB 10 *Consolidated Financial Statements*.

Entities in the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors are not consolidated into the financial statements of the general government sector, but are accounted for as equity investments measured at the Government's proportional share of the carrying amount of net assets of PNFC and PFC sector entities before consolidation eliminations.

Where the carrying amount of a PNFC or PFC entity's net assets before consolidation eliminations is less than zero, the carrying amount is not included in the general government sector. Any change in the carrying amount of the investment from period to period is accounted for as if the change in carrying amount is a change in fair value and accounted for consistent with AASB 9 *Financial Instruments* and AASB 1049.

Where control of an entity is expected to be obtained during the reporting period, its results are included in the estimated comprehensive operating statement from the date on which control will commence. Where control is expected to cease during a reporting period, the entity's results are included for that part of the period for which control would exist. Where entities adopt dissimilar accounting policies and their effect is considered material, adjustments are made to ensure consistent policies are adopted in the Estimated Financial Statements.

All material transactions and balances between entities within the general government sector are eliminated.

Except as stated in Note 1.7.4 of the Estimated Financial Statements, the significant entities consolidated within the sector comprise those general government sector entities listed in Note 9.9 of Chapter 4 *Annual Financial Report* of the 2019-20 *Financial Report* for the State of Victoria.

Compliance

These Estimated Financial Statements have been prepared in accordance with sections 23H-23K of the *Financial Management Act 1994*, having regard to AASs, which include Interpretations issued by the AASB.

The Estimated Financial Statements are presented in a manner consistent with the principles of AASB 1049 and other relevant AASs. However, the prospective nature of these Estimated Financial Statements means that some AAS disclosures are neither relevant nor practical and have been omitted. Where applicable, those AAS paragraphs relevant to not-for-profit entities have been applied. Because AASs do not prescribe requirements for preparing and presenting prospective financial statements, the Estimated Financial Statements have been prepared having regard to the principles set out in New Zealand Public Benefit Entity Financial Reporting Standard 42 *Prospective Financial Statements*.

The GFS information included in this report is based on the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 Cat. No. 5514.0* (ABS GFS).

The information presented in the Estimated Financial Statements takes into account all policy decisions made by the Victorian Government and circumstances that may have a material effect on the Estimated Financial Statements as at 12 November 2020.

Key financial measure

Uncertainty regarding the State's fiscal position remains, including the timing of the economic recovery and its impact on State revenue. Should the economic recovery path continue as expected, the Government's sustainability objective for the *2020-21 Budget* is that:

- the operating deficit will reduce over the budget and forward estimates.

This measure gives regard to the important role the Government has in supporting the COVID-19 response and the economic recovery.

The Government will consider introducing further targets in the 2021-22 Budget, after the fiscal position stabilises.

The Government's long-term financial management objectives and fiscal measures and targets for the *2020-21 Budget* are set out in Budget Paper No.2, Chapter 1 *Economic and fiscal overview*.

Material economic assumptions

The Estimated Financial Statements have been prepared using the material economic assumptions listed below.

Key economic assumptions

	2019-20 forecast	2020-21 forecast	2021-22 forecast	2022-23 projection	2023-24 projection
					(\$ billion)
Nominal gross state product	461.1	445.4	486.5	510.4	535.7
					(percentage change) ^(a)
Real gross state product	(0.25)	(4.00)	7.75	3.25	3.00
Employment	1.2 ^(b)	(3.25)	3.50	2.25	2.00
Unemployment rate ^(c)	5.4 ^(b)	7.75	7.00	6.25	5.75
Consumer price index ^(d)	1.7 ^(b)	0.75	1.50	1.75	2.00
Wage price index ^(e)	2.4 ^(b)	1.00	1.75	2.00	2.25
Population ^(f)	1.60	0.20	0.40	1.10	1.70

Source: Department of Treasury and Finance

Notes:

(a) Percentage change in year average terms compared with previous year, except for the unemployment rate (see Note (b)) and population (see Note (e)). Forecasts are rounded to the nearest 0.25 percentage points, except for population (see Note (e)). Projections for 2022-23 represent trend rates. The key assumptions underlying the economic forecasts include: interest rates that follow movements in market expectations; an Australian dollar trade-weighted index of 61.7; and oil prices that follow the path suggested by oil futures.

(b) Actuals.

(c) Year average.

(d) Melbourne consumer price index.

(e) Wage price index, Victoria (based on total hourly rates of pay, excluding bonuses).

(f) Percentage change over the year to 30 June. Forecasts are rounded to the nearest 0.1 percentage point.

Sensitivity analysis

Appendix A *Sensitivity analysis* contained in Budget Paper No. 2 explores the impact of variations in the macroeconomic outlook on key fiscal aggregates using two alternative approaches. The first quantifies the fiscal impacts of a scenario involving simultaneous variations in economic parameters that represent key risks to the economic outlook. This quantifies a key risk in Budget Paper No. 2, Chapter 2 *Economic Context* and is a scenario of a deep and enduring global coronavirus (COVID-19) pandemic across 2021, including in key trading partners leading to weaker global economic growth. The second approach considers the fiscal impacts of independent variations in major macroeconomic parameters, holding all parameters other than the indicator of interest constant.

Material events impacting on this report

The coronavirus (COVID-19) pandemic has introduced significant economic and fiscal uncertainties since early 2020. The Government, in its public health response to contain the spread of the coronavirus (COVID-19), put in place necessary restrictions on individuals and businesses. As a result, the economic forecasts included in the *2020-21 Budget* depend on underlying assumptions about how public health restrictions will evolve, among other factors.

The nature of the coronavirus (COVID-19) pandemic means that the economic forecasts are subject to a greater degree of uncertainty than usual. For example, there is naturally a high degree of uncertainty around the spread of coronavirus (COVID-19), the timing of any potential vaccines and treatments, and timelines around when the economy and international borders can fully reopen.

The key assumptions that underpin the economic forecasts are:

- Victorian public health restrictions continue to ease over the remainder of 2020, to be at COVID Normal by the end of 2020;
- Any further localised outbreaks, in Victoria and nationally, are contained and do not lead to any further city or statewide restrictions;
- Australian borders remain closed to most major markets, and international travel remains at current low levels, until at least mid-2021; and
- There is a gradual return of international students and overseas migrants as borders reopen. A significant return of international students does not occur until the 2022 academic year.

Further detail on the economic impact of the coronavirus (COVID-19) pandemic and associated risks is included in Budget Paper No. 2, Chapter 2 *Economic Context*.

The coronavirus (COVID-19) pandemic and associated public health restrictions impacted on economic activity in the last quarter of 2019-20 and this has continued into 2020-21. This impact on economic activity has had a significant effect on the States' revenue base, especially taxation revenue and GST grants.

In response to the economic downturn, the Government will undertake significant new investment to support Victorians through the crisis, with social, economic and business support measures in addition to its public health response as part of this *2020-21 Budget*. Budget Paper No. 3, Chapter 1 *Output, Asset Investment, Savings and Revenue Initiatives* details these initiatives by portfolio department.

1.2 HOW FUNDS ARE RAISED

Introduction

This section presents the sources and amounts of revenue and income forecast for the general government sector.

Revenue and income from transactions is recognised in accordance with AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-profit Entities*.

Structure

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1.2.1 Taxation

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Taxes on employers' payroll and labour force ^(a)	5 377	5 829	6 651	7 111
Taxes on immovable property				
Land tax	3 503	3 481	3 482	3 829
Fire Services Property Levy ^(b)	709	756	775	783
Congestion levy ^(c)	73	103	105	105
Metropolitan improvement levy	199	206	215	223
Total taxes on property	4 483	4 547	4 577	4 939
Gambling taxes				
Public lotteries	559	572	585	599
Electronic gaming machines ^(d)	611	1 140	1 191	1 217
Casino ^(d)	78	229	244	251
Racing and other sports betting	184	187	191	196
Other	8	10	11	11
Financial and capital transactions				
Land transfer duty	4 554	5 564	6 617	6 999
Metropolitan planning levy	16	16	18	19
Financial accommodation levy	162	171	174	179
Growth areas infrastructure contributions	240	331	381	438
Levies on statutory corporations ^(e)	173	173	173	173
Taxes on insurance	1 520	1 614	1 718	1 827
Total taxes on the provision of goods and services	8 105	10 007	11 301	11 907
Motor vehicle taxes				
Vehicle registration fees	1 884	1 918	1 998	2 086
Duty on vehicle registrations and transfers	850	938	952	981
Liquor licence fees	..	22	24	25
Other	229	439	516	516
Total taxes on the use of goods and performance of activities	2 963	3 317	3 491	3 607
Total taxation	20 928	23 700	26 021	27 565

Source: Department of Treasury and Finance

Notes:

(a) As part of the Economic Survival Package, the State is recognising \$328 million of payroll tax refunds and waivers to small businesses in 2020-21.

(b) The Fire Services Property Levy has been frozen at the 2019-20 revenue target for the 2020-21 financial year.

(c) On 10 September 2020, the Government announced a congestion levy waiver of 25 per cent of the 2020 levy for car park owners and operators.

(d) The forecast reduction of electronic gaming machines and casino gambling taxes in 2020-21 is primarily attributable to the temporary closure of Crown Casino, hotels and clubs as a result of the public health restrictions associated with the coronavirus (COVID-19) pandemic.

(e) The fifth tranche of the environmental contribution levy commenced on 1 July 2020 for a period of four years concluding on 30 June 2024.

The State's taxation revenue is forecast by:

- assessing economic and other factors influencing the tax base (e.g. for payroll tax, it involves an assessment of the outlook for unemployment, hours worked, wages, and activity indicators such as export values and retail sales. The forecasts also incorporate the impact of policy changes on the payroll tax base);
- analysing historical information and relationships using econometric and other statistical methods; and
- consulting with relevant market participants, industry associations and government authorities.

1.2.2 Dividends, income tax equivalent and rate equivalent income (\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Dividends from PFC sector	59	63	44	36
Dividends from PNFC sector	125	70	116	164
Dividends from non-public sector	107	109	111	112
Dividends	292	243	271	312
Income tax equivalent income from PFC sector	5	6	7	7
Income tax equivalent income from PNFC sector	230	238	249	280
Income tax equivalent income	235	245	256	287
Local government rate equivalent income	7	7	7	7
Total dividends, income tax equivalent and rate equivalent income	534	494	534	606

Source: Department of Treasury and Finance

Dividends and income tax equivalent income are mainly from the PNFC and PFC sectors. This income is forecast based on the State's dividend policy and expected profitability as forecast by the PNFCs and PFCs at the time of the budget.

While most government departments and agencies are exempt from federal income tax, certain larger PNFC and PFC entities are required to pay income tax equivalents to the general government sector in accordance with the National Tax Equivalent Regime (NTER). The primary objective of the NTER is to promote competitive neutrality, through uniformly applying income tax laws, between NTER entities and their privately held counterparts.

Dividends by entity ^(a)

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Public financial corporations				
Victorian Managed Insurance Authority	..	..	..	..
Transport Accident Commission	..	..	..	..
Treasury Corporation of Victoria	52	57	36	28
State Trustees Ltd	..	1	2	3
Victorian Funds Management Corporation	7	5	5	5
WorkSafe Victoria	..	..	..	..
Dividends from PFC sector	59	63	44	36
Public non-financial corporations				
City West Water Corporation	13	10	22	28
Melbourne Water Corporation	43	11	6	11
South East Water Corporation	41	31	39	48
Yarra Valley Water Corporation	26	7	18	31
Development Victoria	1	10	29	43
Others	1	1	1	1
Dividends from PNFC sector	125	70	116	164

Source: Department of Treasury and Finance

Note:

(a) Amounts equivalent to dividends to be paid by the Victorian Managed Insurance Authority and the Transport Accident Commission are received and reported as contributions forming part of grant revenue, consistent with the requirements of AASB 1023 General Insurance Contracts. The amounts, subject to annual review, that are forecast to be paid are \$500 million in each of 2021-22, 2022-23 and 2023-24 for the Transport Accident Commission and \$75 million in each of 2021-22, 2022-23 and 2023-24 for the Victorian Managed Insurance Authority. These payments from the insurance agencies are contributions to the Delivering for all Victorians Infrastructure Fund, as per Labor's Financial Statement 2018.

1.2.3 Sales of goods and services

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Revenue items accounted for under AASB 15				
Sale of goods	95	95	89	91
Provision of services ^(a)	4 865	5 079	5 233	5 338
Refunds and reimbursements	25	15	15	15
Income accounted for under AASB 1058 statutory requirement				
Motor vehicle regulatory fees	281	306	316	320
Other regulatory fees	510	721	761	774
Inter-sector capital asset charge	2 567	2 737	2 817	2 815
Revenue items accounted for under AASB 16				
Rental	89	91	94	96
Total sales of goods and services	8 433	9 043	9 325	9 448

Source: Department of Treasury and Finance

Note:

(a) Further disclosure on the provision of services is available on the Department of Treasury and Finance's website. This further disclosure is not subject to review by the Victorian Auditor-General's Office.

Revenue from the sale of goods and the supply of services is forecast by taking into account known factors, for example, indexation as provided for under the *Monetary Units Act 2004*.

The inter-sector capital asset charge is a levy on controlled non-current physical assets, and represents the opportunity cost of capital used in service delivery. At the general government level, this charge is levied on PNFC entities, and is forecast on the estimated carrying amount of applicable non-financial physical assets.

1.2.4 Grants	(\$ million)			
	<i>2020-21 budget</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>	<i>2023-24 estimate</i>
General purpose grants	15 259	15 923	18 285	19 604
Specific purpose grants for on-passing	4 136	4 824	5 075	5 351
Grants for specific purposes	13 770	12 977	14 078	14 476
Total	33 166	33 724	37 439	39 430
Other contributions and grants	317	867	772	629
Total grants	33 483	34 591	38 210	40 059

Source: Department of Treasury and Finance

Grants mainly comprise contributions from the Commonwealth to assist in meeting general or specific service delivery obligations, primarily for the purpose of aiding in the financing of the operations of the recipient, for capital purposes and/or for on-passing to other recipients. Grant revenue also includes grants from other jurisdictions.

The forecast receipt of financial assistance from the Commonwealth is determined on the latest available information at the time of preparing the Estimated Financial Statements.

Forecast goods and services tax (GST) grants are based on Victoria's assessment of the national GST pool. For 2020-21, Victoria's share of GST is informed by the assessed relativity for Victoria in 2020-21 as published by the Commonwealth Grants Commission, and Victoria's projections of other state and territory populations.

Beyond 2020-21, Victoria's estimated share of the GST pool is based on the projected fiscal capacity of each state and territory that is estimated using information sourced from state and territory economic and fiscal updates released in the 2020 calendar year and Victoria's projections of each state and territory's population.

1.2.5 Other revenue and income

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Fair value of assets received free of charge or for nominal consideration	1	1	2	2
Fines	782	911	938	953
Royalties	138	140	140	142
Donations and gifts	220	220	203	207
Other non-property rental	30	32	32	32
Other revenue – Education	357	403	411	422
Other revenue – Health	236	242	248	254
Revenue related to economic service concession arrangements	324	368	506	600
Other miscellaneous revenue	584	553	569	554
Total other revenue and income	2 673	2 869	3 048	3 165

Source: Department of Treasury and Finance

Other revenue and income is received from a variety of miscellaneous sources and is forecast based on historical trends and expectations. Fines are collected from road safety cameras, toll road evasions, on-the-spot infringements, court and other (non-traffic) statutory infringements. Other education revenue mainly comprises locally raised funds held by schools from school fetes, fundraising events and voluntary contributions made by parents. Other health revenue mainly comprises research funding from non-government organisations and non-salary cost recovery from external organisations in the health sector. Revenue related to economic service concession arrangements reflects the progressive unwinding of the grant of a right to the operator liability (Note 1.6.2) recognised by applying AASB 1059 *Service Concession Arrangements: Grantors*.

1.3 HOW FUNDS ARE SPENT

Introduction

This section accounts for the major components of expenditure incurred by the State towards the delivery of services and on capital or infrastructure projects during the year, as well as any related obligations.

Structure

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1.3.1 Employee expenses and provision for outstanding employee benefits

Employee expenses and employee benefits are forecast on the basis of staffing profiles and current salaries, conditions and on-costs. For the forecast period, employee expenses and employee benefits include the expected financial impact of employing more staff to increase service delivery and approved wage outcomes in line with wages policy. Forecast employee expenses also reflect the estimated impact of budget decisions, which either increase or reduce employee expenses. The majority of employee expenses in the operating statement are salaries and wages.

Employee benefits (balance sheet)

(\$ million)

	2020 actual	2021 budget	2022 estimate	2023 estimate	2024 estimate
Current					
Accrued salaries and wages	820	840	856	871	886
Other employee benefits	81	78	78	78	78
Annual leave	2 055	2 100	2 136	2 172	2 208
Long service leave	4 872	5 025	5 171	5 317	5 462
Total current employee benefits and on-costs	7 828	8 044	8 241	8 437	8 634
Non-current					
Long service leave	1 200	1 305	1 416	1 531	1 652
Total non-current employee benefits and on-costs	1 200	1 305	1 416	1 531	1 652
Total employee benefits	9 028	9 349	9 657	9 969	10 286

Source: Department of Treasury and Finance

1.3.2 Superannuation expenses

Superannuation expense recognised in the comprehensive operating statement (\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Defined benefit plans				
Net superannuation interest expense	305	311	299	284
Current service cost	1 285	1 322	1 306	1 295
Remeasurements:				
Expected return on superannuation assets excluding interest income	(1 333)	(1 372)	(1 392)	(1 412)
Other actuarial (gain)/loss on superannuation assets	(110)	..	..	..
Actuarial and other adjustments to unfunded superannuation liability	2 119	..	..	..
Total expense recognised in respect of defined benefit plans	2 266	261	213	167
Defined contribution plans				
Employer contributions to defined contribution plans	1 968	1 977	2 049	2 163
Other (including pensions)	75	76	69	69
Total expense recognised in respect of defined contribution plans	2 044	2 053	2 118	2 232
Total superannuation (gain)/expense recognised in operating statement	4 309	2 314	2 331	2 399
Represented by:				
Net superannuation interest expense	305	311	299	284
Other superannuation	3 329	3 376	3 424	3 527
Superannuation expense from transactions	3 634	3 687	3 723	3 811
Remeasurements recognised in other comprehensive income	676	(1 372)	(1 392)	(1 412)
Total superannuation expense recognised in operating statement	4 309	2 314	2 331	2 399

Source: Department of Treasury and Finance

Future defined contribution superannuation expenses are based on assumptions regarding future salaries and contribution rates.

Future defined benefit superannuation expenses, and superannuation liabilities at future balance dates, are estimated by the actuaries of the various defined benefit superannuation plans. These estimates rely on a number of demographic and financial assumptions. The table below sets out the key financial assumptions that are used to estimate the superannuation expense and liability for each defined benefit superannuation plan.

The discount and inflation rates are based on long-term Commonwealth Government bond yields (both nominal and inflation linked). The defined benefit superannuation expense from transactions for 2020-21 is based upon bond yields as at 30 June 2020. All other estimated superannuation expenses are based upon bond yields as at 30 September 2020 which are assumed to remain constant thereafter. An expected return on plan assets is assumed when projecting assets, and the return this provides in excess of the discount rate is included in Other economic flows – other comprehensive income.

Please note that, the actual investment return on assets invested by Emergency Services and State Super for the financial year to 30 September 2020 is allowed for with the expected return applying thereafter. Actual experience is likely to differ from assumptions and cause variations in the reported superannuation liability.

Superannuation assumptions	(per cent)
<i>Underlying assumptions for all listed schemes ^(a)</i>	
Discount rate ^(b)	0.9
Wages growth ^(c)	2.7
Inflation rate ^(d)	1.2
<i>Expected return on assets ^(e)</i>	
Emergency Services and State Super	7.6
Health Super Fund Defined Benefit Scheme	4.8
Constitutionally protected schemes ^(f)	n.a.

Source: Department of Treasury and Finance

Notes:

- (a) All rates are nominal annual rates and are applicable to all the listed schemes. Please note that the defined benefit superannuation expense from transactions for 2020-21 is determined based on bond yields as at 30 June 2020. Therefore, the discount rate, wages growth and inflation rate assumptions used to determine this expense differ from those shown above and are 1.0 per cent, 2.4 per cent and 0.9 per cent respectively.
- (b) The discount rate is based on a long-term fixed interest Commonwealth bond rate. The rate stated above is an annual effective rate, gross of tax.
- (c) Based on the historical relationship between price and wage inflation, wages growth is assumed to be 1.5 per cent higher than price inflation.
- (d) The superannuation assumptions are determined in accordance with Australian Accounting Standard AASB 119 Employee Benefits, which requires that the discount rate be based on Commonwealth bond yields. To ensure consistency with the market-based discount rate, the inflation rate assumed by the actuary reflects market expectations of price inflation, as implied by the relationship between the yields on nominal and inflation-linked Commonwealth bonds. Therefore, these assumptions differ from the key economic assumptions in Note 1.1, which reflect the expected change in consumer prices in Melbourne and movements in wages and salaries in the Victorian labour market.
- (e) The expected return on assets stated is gross of tax. Estimated tax payments are explicitly allowed for in the calculation process. Please note that the superannuation expense allows for the actual investment return on assets invested by Emergency Services and State Super for the financial year to 30 September 2020. The expected return on assets is assumed thereafter.
- (f) Pensions payable from constitutionally protected schemes are paid from the Consolidated Fund. These schemes hold no assets, so there is no expected return on assets.

1.3.3 Grant expense

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Current grant expense				
Commonwealth Government	2 698	3 109	3 219	3 320
Local government (including grants for on-passing) ^(a)	1 008	879	795	796
Private sector and not-for-profit for on-passing	3 825	4 148	4 367	4 569
Other private sector and not-for-profit ^(a)	7 999	4 863	4 369	4 242
Grants within the Victorian Government	5 853	5 269	4 369	4 297
Grants to other state governments	78	74	74	74
Total current grant expense	21 460	18 341	17 194	17 299
Capital grant expense				
Commonwealth Government	..	..	..	..
Local government (including grants for on-passing)	160	147	88	121
Private sector and not-for-profit on-passing	376	322	178	107
Other private sector and not-for-profit	4	4	4	4
Grants within the Victorian Government	2	1	..	..
Other grants	5	..	..	..
Total capital grant expense	548	475	270	232
Total grant expense	22 009	18 816	17 464	17 531

Source: Department of Treasury and Finance

Note:

(a) The forecast reduction of local government (including grants for on-passing) and other private sector and not-for-profit grants from 2020-21 to 2021-22 is primarily attributable to tapering of coronavirus (COVID-19) support initiatives, including the Business Support Fund and the Working for Victoria Fund.

Grants and other transfer payments include grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to the Commonwealth Government, local government, non-government schools and community groups, and grants and transfer payments to PNFCs and PFCs. These amounts are forecast on the basis of known activity and adjusted by the appropriate economic parameters. Where payments are tied to third-party revenue, such as Commonwealth grants for on-passing, forecasts are based on estimated receipts.

1.3.4 Other operating expenses

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Purchase of supplies and consumables ^(a)	10 199	8 355	8 238	8 832
Cost of goods sold	31	34	35	35
Finance expenses and fees	47	47	48	49
Purchase of services ^(a)	14 697	13 237	12 633	12 754
Insurance claims expense	282	280	282	285
Maintenance	1 167	987	1 007	1 018
Short-term and low value lease expense	99	102	103	105
Other	875	821	842	883
Total other operating expenses	27 397	23 865	23 188	23 960

Source: Department of Treasury and Finance

Note:

(a) The following two tables break down the purchase of supplies and consumables and the purchase of services.

Other operating expenses generally represent the day-to-day running costs incurred in normal operations, and mainly include the purchase of supplies and consumables and the purchase of services. Supplies and services expenses are forecast on the basis of experience and known activity changes, including consideration of government policy such as efficiency measures, changes in the method of service delivery and appropriate economic parameters.

An allowance is made for emerging demand that may arise over the forward estimates.

Purchase of supplies and consumables

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Medicinal pharmacy and medical supplies	2 674	1 717	1 715	1 753
Office supplies and consumables	215	216	220	217
Specialised operational supplies and consumables	179	161	155	157
Other purchase of supplies and consumables	7 132	6 260	6 149	6 705
Total purchase of supplies and consumables	10 199	8 355	8 238	8 832

Source: Department of Treasury and Finance

Purchase of services

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Service contracts	8 241	8 012	7 625	7 807
Accommodation/occupancy	909	788	789	785
Medical and client care services	438	425	413	422
Staff related expenses (non-labour related)	363	305	298	295
Other purchase of services	4 747	3 707	3 509	3 445
Total purchase of services	14 697	13 237	12 633	12 754

Source: Department of Treasury and Finance

1.3.5 Total expenses by classification of the functions of government and by portfolio department**Expenses by classification of the functions of government**

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
General public services	4 954	5 068	5 397	5 821
Public order and safety	9 829	9 352	9 432	9 541
Economic affairs ^(a)	6 386	2 545	1 800	1 336
Environmental protection ^(b)	1 296	1 290	965	788
Housing and community amenities	2 084	2 132	1 986	1 930
Health	26 707	23 796	24 525	25 717
Recreation, culture and religion ^(c)	1 531	988	839	642
Education	18 509	19 671	20 330	21 846
Social protection	8 673	8 150	7 322	7 374
Transport	10 221	9 620	9 562	9 560
Not allocated by purpose ^(d)	(221)	1 802	2 314	2 782
Total expenses by COFOG	89 968	84 413	84 472	87 337

Source: Department of Treasury and Finance

Notes:

- (a) The decrease in the economic affairs classification over the forward estimates is driven by fixed-term and lapsing initiative funding. This includes additional funding for services and initiatives in response to the coronavirus (COVID-19) pandemic in 2020-21.
- (b) The schedule of funding for the environmental protection classification over the forward estimates is driven by fixed-term and lapsing initiative funding.
- (c) The decrease in the recreation, culture and religion classification over the forward estimates is driven by fixed-term and lapsing initiative funding. This includes additional funding for services and initiatives in response to the coronavirus (COVID-19) pandemic in 2020-21.
- (d) Mainly comprises the provision for future demand growth, departmental underspending, eliminated purchases of supplies and consumables between government entities, and items not yet formalised at the time of publication.

Total expenses by portfolio department

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Education and Training	20 827	21 700	21 644	22 292
Environment, Land, Water and Planning	3 983	3 209	2 788	2 546
Health and Human Services	33 747	30 832	30 964	31 484
Jobs, Precincts and Regions	7 074	2 986	2 461	2 228
Justice and Community Safety	9 170	8 833	8 920	8 951
Premier and Cabinet	903	620	677	535
Treasury and Finance	8 585	8 633	9 024	9 759
Transport	10 222	9 253	9 319	9 259
Parliament	332	327	332	334
Courts	767	807	785	799
Regulatory bodies and other part funded agencies ^(a)	2 910	2 841	2 833	2 656
Output contingencies not allocated to departments ^(b)	6 631	8 065	8 781	10 475
Total expenses by department	105 151	98 106	98 526	101 317
<i>Less eliminations and adjustments ^(c)</i>	<i>(15 182)</i>	<i>(13 693)</i>	<i>(14 054)</i>	<i>(13 980)</i>
Total expenses	89 968	84 413	84 472	87 337

Source: Department of Treasury and Finance

Notes:

(a) Other general government sector agencies not allocated to departmental portfolios.

(b) The following table provides a breakdown of the general government output contingencies not allocated to departments.

(c) Mainly payroll tax, capital asset charge, departmental underspend estimates and inter-departmental transfers.

General government output contingencies not allocated to departments

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Decisions made but not yet allocated ^(a)	6 031	7 715	8 131	9 425
Funding not allocated to specific purposes ^(b)	600	350	650	1 050
Total general government output contingencies	6 631	8 065	8 781	10 475

Source: Department of Treasury and Finance

Notes:

(a) Reflects existing Government policy decisions for which funding has yet to be allocated to departments; provisions not yet allocated to meet additional price and demand growth for health, disability, justice and education.

(b) An unallocated provision available to contribute to future Government policy decisions and commitments.

1.3.6 Purchases of non-financial assets by classification of the functions of government and by portfolio department

Purchases of non-financial assets by classification of the functions of government

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
General public services	180	57	45	31
Public order and safety	1 948	2 021	667	419
Economic affairs	228	149	106	71
Environmental protection	148	128	126	67
Housing and community amenities	60	184	126	43
Health	2 069	1 274	544	523
Recreation, culture and religion	171	102	211	167
Education	2 150	1 530	1 683	554
Social protection	1 042	693	896	321
Transport	11 798	13 355	12 026	12 496
Not allocated by purpose ^(a)	(3 259)	(2 931)	1 394	3 413
Total purchases of non-financial assets	16 534	16 562	17 825	18 103

Source: Department of Treasury and Finance

Note:

(a) Estimated amount available to be allocated to departments and projects in future budgets, including major capital investment. It also includes departmental underspend, which may be subject to carryover and other regulatory bodies and other part funded agencies estimated underspend.

Purchases of non-financial assets by portfolio department

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Education and Training	2 178	1 537	1 604	465
Environment, Land, Water and Planning	227	216	196	116
Health and Human Services	1 961	1 074	505	264
Jobs, Precincts and Regions	120	56	42	46
Justice and Community Safety	1 439	1 221	296	99
Premier and Cabinet	33	15	13	10
Transport	7 013	5 898	3 758	1 973
Treasury and Finance	138	32	24	20
Parliament	30	15	11	3
Courts	147	171	41	10
Regulatory bodies and other part funded agencies ^(a)	271	203	115	122
Asset contingencies not allocated to departments ^(b)	6 668	9 658	9 828	12 609
Adjustments ^(c)	(3 690)	(3 532)	1 392	2 366
Total purchases of non-financial assets	16 534	16 562	17 825	18 103

Source: Department of Treasury and Finance

Notes:

(a) Other general government sector agencies not allocated to departmental portfolios.

(b) The following table provides a breakdown of the general government sector asset contingencies not allocated to departments.

(c) Mainly comprises estimated departmental underspend, which may be subject to carryover, and other regulatory bodies and other part-funded agencies' estimated underspends.

General government asset contingencies not allocated to departments (\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Decisions made but not yet allocated ^(a)	6 668	9 408	9 278	11 459
Funding not allocated to specific purposes ^(b)	..	250	550	1 150
Total general government asset contingencies	6 668	9 658	9 828	12 609

Source: Department of Treasury and Finance

Notes:

(a) A provision to account for asset policy decisions for which the funding has yet to be allocated to departments.

(b) An unallocated provision available for future government asset investment decisions.

1.3.7 Net acquisition of non-financial assets from transactions (\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Purchases of non-financial assets (including change in inventories)	16 126	16 566	17 829	18 107
Less: Sales of non-financial assets	(258)	(520)	(548)	(381)
Less: Depreciation and amortisation	(4 145)	(4 365)	(4 592)	(4 834)
Less: Other movements in non-financial assets ^{(a)(b)}	(2 813)	(5 334)	(2 517)	(2 457)
Total net acquisition of non-financial assets from transactions	8 911	6 346	10 171	10 435

Source: Department of Treasury and Finance

Notes:

(a) Other movements in non-financial assets includes transferring fixed assets to other sectors of government, recognising the right-of-use assets under lease arrangements, and recognising service concession arrangements, including from public private partnerships.

(b) The public private partnerships across the budget and forward estimates relate to the High Capacity Metro Trains Project, the Metro Tunnel, the new Footscray Hospital, Frankston Hospital Redevelopment, North East Link, the Western Roads Upgrade, and the West Gate Tunnel Project.

1.4 MAJOR ASSETS AND INVESTMENTS

Introduction

This section outlines the major assets that the general government sector controls, reflecting investing activities in the prior, current, and future years.

Structure

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1.4.1 Total land, buildings, infrastructure, plant and equipment ^(a) (\$ million)

	2020 actual	2021 budget	2022 estimate	2023 estimate	2024 estimate
Buildings	44 404	47 389	48 361	53 019	54 803
Land and national parks	70 174	71 064	70 820	72 598	76 535
Infrastructure systems	5 355	7 711	10 170	11 493	13 437
Plant, equipment and vehicles	4 286	4 586	4 222	3 722	3 203
Roads and road infrastructure	34 717	38 887	43 877	52 240	60 033
Earthworks	9 116	9 108	9 105	9 100	9 102
Cultural assets	5 691	5 953	5 984	5 977	5 969
Total land, buildings, infrastructure, plant and equipment	173 743	184 698	192 539	208 148	223 082

Source: Department of Treasury and Finance

Note:

(a) The balances for each class of assets includes those related to service concession arrangement assets and right-of-use assets.

Where an asset has been identified as surplus to the needs of the State and is not in use, the asset is valued at disposal value. New investments in assets are valued at the forecast purchase price and, where appropriate, recognised progressively over the estimated construction period.

Assets also include the recognition of right-of-use assets at the lease commencement date. The right-of-use assets are initially measured at cost which comprises the initial amount of the lease liability adjusted for prepaid or accrued lease payments immediately before that date.

The next four years include the estimated impact of revaluations of non-financial physical assets. They have been estimated from examining and extrapolating historical trends in asset revaluations by major asset class.

The following two tables are subsets of total land, buildings, infrastructure, plant and equipment by right-of-use (leased) assets and service concession assets.

Total right-of-use (leased) assets: land, buildings, infrastructure, plant and equipment

(\$ million)

	2020 actual	2021 budget	2022 estimate	2023 estimate	2024 estimate
Buildings	8 080	9 060	8 144	7 579	7 035
Infrastructure systems	6	7	7	8	9
Plant, equipment and vehicles	527	539	428	277	74
Total right-of-use assets: land, buildings, infrastructure, plant and equipment	8 614	9 606	8 579	7 864	7 119

Source: Department of Treasury and Finance

Victorian Rail Track (VicTrack), a public non-financial corporation (PNFC) sector entity, is the custodial owner of the State's transport-related land, infrastructure, rolling stock and associated assets, which the State, through the Department of Transport (DoT) within the general government sector, is highly dependent on to further its objectives of providing Victorians with a transport system. DoT leases metropolitan, regional and interstate train, tram and rail infrastructure assets from VicTrack at nominal cost (significantly below market value) in order to provide public transport services in Victoria.

The State elected to initially measure the recognition of the right-of-use asset arising from leases that are significantly below market terms and conditions at cost as per the temporary relief given to not-for-profit entities by AASB 16 *Leases*. Therefore, the right-of-use asset and the corresponding liability are recognised at nominal values in the general government sector. This temporary relief has been applied across the budget and forward estimates.

The application of the new accounting standards has resulted in the leases being reassessed as finance leases within VicTrack as the lessor with a resulting decrease in the carrying value of the assets to a nominal value with a corresponding adjustment to opening retained earnings in 2019-20. As these assets are recognised at nominal value in both the general government and PNFC sectors, their fair value is reinstated as a consolidation adjustment in the non-financial public sector. Refer to Chapter 2 *Supplementary uniform presentation framework* of this budget paper for the details of the PNFC sector and non-financial public sector.

Total service concession assets: land, buildings, infrastructure, plant and equipment

(\$ million)

	2020 actual	2021 budget	2022 estimate	2023 estimate	2024 estimate
Buildings	2 267	2 212	2 159	2 107	2 056
Land and national parks	2 531	2 531	2 531	2 531	2 531
Infrastructure systems	3 590	4 750	5 618	5 759	5 753
Plant, equipment and vehicles	700	691	698	688	715
Roads and road infrastructure	11 207	12 378	15 087	19 935	22 296
Total service concession assets: land, buildings, infrastructure, plant and equipment	20 296	22 561	26 094	31 020	33 352

Source: Department of Treasury and Finance

1.4.2 Depreciation

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Buildings ^(a)	2 097	2 229	2 332	2 428
Infrastructure systems	50	52	52	52
Plant, equipment and vehicles ^(a)	820	834	832	829
Roads and road networks ^(a)	959	1 014	1 146	1 297
Cultural assets	21	20	21	21
Intangible produced assets ^(b)	197	217	210	207
Total depreciation	4 145	4 365	4 592	4 834

Source: Department of Treasury and Finance

Notes:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2020-21 to 2023-24.

(b) Amortisation of intangible non-produced assets is included under other gains/(losses) from other economic flows.

The following two tables are subsets of total depreciation expense.

Depreciation of right-of-use (leased) assets

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Buildings	645	626	619	582
Plant, equipment and vehicles	119	113	109	109
Total depreciation of right-of-use assets	765	738	728	691

Source: Department of Treasury and Finance

Depreciation of service concession assets

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Buildings	47	47	47	47
Plant, equipment and vehicles	28	28	28	28
Roads and road infrastructure	188	207	279	333
Intangible produced assets	1	1	1	1
Total depreciation of service concession assets	265	284	356	410

Source: Department of Treasury and Finance

Depreciation is forecast on the basis of known asset profiles, asset sales programs and approved new investment. The expense assumes there will be no change in depreciation rates over the forecast period, but includes the estimated impact of the projected future revaluation of assets. However, any future changes in useful lives, carrying value, residual value or methodology would result in a change in future depreciation expense.

1.4.3 Reconciliation of movements in land, buildings, infrastructure, plant and equipment ^(a)

(\$ million)

	2020 actual	2021 budget	2022 estimate	2023 estimate	2024 estimate
Carrying amount at the start of the year	157 513	173 743	184 698	192 539	208 148
Additions of self-owned assets	8 841	16 013	16 115	17 637	18 228
Additions of right-of-use assets	525	1 801	202	118	100
Additions of service concession arrangement assets	3 107	2 291	3 359	3 293	1 782
Disposals at written down value	(254)	(201)	(443)	(458)	(320)
Reclassification	35	..	..	..	..
Revaluations	11 581	1 590	939	5 375	4 765
Assets recognised for the first time	62	..	..	..	..
Asset transfers ^(b)	(3 918)	(6 590)	(8 184)	(5 974)	(4 993)
Impairment	(41)	..	..	..	..
Depreciation expense	(3 708)	(3 947)	(4 148)	(4 382)	(4 627)
Carrying amount at the end of the year	173 743	184 698	192 539	208 148	223 082

Source: Department of Treasury and Finance

Notes:

(a) The reconciliation of movements comprises land and buildings, infrastructure systems, plant, equipment, vehicles, roads, roads infrastructure and cultural assets, right-of-use (leased) assets, service concession assets, and excludes intangible assets, investment properties and other non-financial assets.

(b) Represents the transfer of assets to the public non-financial corporations sector.

1.4.4 Other non-financial assets

(\$ million)

	2020 actual	2021 budget	2022 estimate	2023 estimate	2024 estimate
Intangible produced assets	2 477	2 612	2 633	2 614	2 619
Accumulated depreciation	(1 212)	(1 386)	(1 582)	(1 772)	(1 961)
Service concession assets – intangible produced	480	480	480	480	480
Accumulated depreciation	..	(2)	(3)	(5)	(6)
Intangible non-produced assets	109	118	121	123	124
Accumulated amortisation	(46)	(51)	(56)	(61)	(65)
Total intangibles	1 809	1 771	1 594	1 380	1 189
Investment properties	294	294	293	275	275
Biological assets	2	4	5	7	8
Other assets	998	761	760	759	757
Total other non-financial assets	3 103	2 829	2 652	2 420	2 229

Source: Department of Treasury and Finance

Intangible produced assets may include computer software or research and development costs. Non-produced intangibles are intangible assets needed for production that have not themselves been produced, such as patents. These amounts are estimated based on their audited balances as at 30 June 2020, which are adjusted for estimated acquisitions, disposals and amortisation.

Following the recent commercialisation of part of the land titles and registry functions of Land Use Victoria, the land registry services (LRS) software (the Victorian Online Titles (VOT) system) and the titling and registry database of LRS were revalued consistent with the requirements of AASB 1059. The database is assessed to have indefinite life and therefore not depreciated. The software asset will be depreciated over the useful life of 10 years and the fair value is reassessed at each year end period.

Other non-financial assets include prepayments, which are payments in advance of the receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

1.4.5 Total assets by classification of the functions of government (\$ million)

	2020 actual	2021 budget	2022 estimate	2023 estimate	2024 estimate
General public services	4 449	4 299	4 251	4 369	4 236
Public order and safety	11 737	14 628	15 617	15 569	15 286
Economic affairs	1 127	1 609	1 650	1 654	1 633
Environmental protection	11 797	11 913	11 971	12 025	12 021
Housing and community amenities	2 245	2 806	2 939	3 014	2 984
Health	20 475	20 107	19 988	19 516	19 342
Recreation, culture and religion	7 668	7 754	7 771	7 906	7 997
Education	28 171	29 687	30 604	35 407	35 301
Social protection	2 073	3 052	3 677	4 503	4 755
Transport	88 340	95 973	104 082	112 687	124 962
Not allocated by purpose ^(a)	102 957	101 831	99 667	102 953	106 746
Total assets by COFOG	281 040	293 659	302 215	319 603	335 262

Source: Department of Treasury and Finance

Note:

(a) Represents financial assets which are not able to be allocated by purpose. This mainly includes balances relating to the general government sector's investment in other sector entities.

1.5 FINANCING STATE OPERATIONS

Introduction

State operations are financed through a variety of means, including a combination of surplus cash flows from operating activities, asset recycling, advances and borrowings.

This section provides information on the balances related to the financing of the general government sector's operations.

Structure

1.5.1	Borrowings	38
1.5.2	Advances paid and investments, loans and placements	39
1.5.3	Interest expense.....	40

1.5.1 Borrowings

(\$ million)

	2020 actual	2021 budget	2022 estimate	2023 estimate	2024 estimate
Current borrowings					
Domestic borrowings	12 639	11 987	11 807	11 874	11 959
Lease liabilities	638	604	589	507	425
Service concession arrangement liabilities	1 095	885	557	2 057	286
Derivative financial instruments	3	7	10	23	36
Total current borrowings	14 375	13 483	12 963	14 462	12 707
Non-current borrowings					
Domestic borrowings	36 150	76 651	99 224	121 002	144 118
Lease liabilities	7 031	8 261	7 471	7 003	6 541
Derivative financial instruments	334	334	334	334	334
Service concession arrangement liabilities	4 917	5 781	7 715	8 305	9 671
Total non-current borrowings	48 431	91 027	114 744	136 645	160 664
Total borrowings	62 807	104 510	127 707	151 107	173 371

Source: Department of Treasury and Finance

Borrowings include interest-bearing liabilities mainly raised from public borrowings, lease liabilities, service concession arrangement financial liabilities and other interest-bearing arrangements.

Service concession related liabilities are recognised progressively over the forward estimates to reflect the construction profile of the service concession arrangement assets to which they relate. For lease liabilities, the amounts recorded reflect management's best estimate of the timing of new leases and the renewal of existing lease arrangements over the next four years.

Estimates for new borrowings are based on the requirement to repay maturing debt and finance expenditure.

1.5.2 Advances paid and investments, loans and placements (\$ million)

	2020 actual	2021 budget	2022 estimate	2023 estimate	2024 estimate
Current advances paid and investments, loans and placements					
Loans and advances paid	2 084	564	464	385	358
Equities and managed investment schemes	848	847	858	884	922
Australian dollar term deposits	112	84	26	3	3
Debt securities	6	6	6	6	6
Derivative financial instruments	192	191	141	108	98
Total current advances paid and investments, loans and placements	3 242	1 691	1 495	1 385	1 387
Non-current advances paid and investments, loans and placements					
Loans and advances paid	4 466	4 262	4 241	4 247	4 269
Equities and managed investment schemes	1 379	1 401	1 406	1 455	1 491
Australian dollar term deposits	29	26	25	25	25
Debt securities	22	22	22	22	22
Derivative financial instruments	1	1	1	1	1
Total non-current advances paid and investments, loans and placements	5 897	5 712	5 695	5 751	5 808
Total advances paid and investments, loans and placements	9 139	7 403	7 191	7 136	7 195
Represented by:					
Advances paid	6 550	4 826	4 705	4 633	4 627
Investments, loans and placements	2 589	2 578	2 486	2 503	2 567

Source: Department of Treasury and Finance

The financial instruments above have been classified into financial instrument categories, depending on the purpose for which the investments were made or acquired. They are forecast based on expected transaction flows associated with these instruments.

Advances paid include long-term and short-term loan receivables, non-marketable debentures and long and short-term promissory agreements (bonds and bills) mainly issued to the PNFC and PFC sectors, for policy rather than liquidity management purposes.

1.5.3 Interest expense

(\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Interest on liabilities and deposits	1 844	2 047	2 360	2 867
Finance charges on lease liabilities	449	423	395	374
Finance charges on service concession liabilities	484	534	639	623
Discount interest on payables	35	34	30	30
Total interest expense	2 813	3 038	3 424	3 895

Source: Department of Treasury and Finance

Estimates for interest expense are based on the forecast levels of outstanding Victorian general government sector debt and non-current financial liabilities. Victorian general government sector debt is expected to mainly comprise fixed-rate facilities from the Treasury Corporation of Victoria, lease liabilities and service concession financial liabilities. Interest expenses associated with issuing future domestic borrowings are based on forecasts provided by the Treasury Corporation of Victoria.

1.6 OTHER ASSETS AND LIABILITIES

Introduction

This section sets out other assets and liabilities that arise from the general government's operations.

Structure

1.6.1	Investments in other sector entities.....	41
1.6.2	Payables.....	41
1.6.3	Superannuation.....	42

1.6.1 Investments in other sector entities (\$ million)

	2020 actual	2021 budget	2022 estimate	2023 estimate	2024 estimate
Balance of investment in PNFC and PFC sectors at beginning of period	73 350	75 043	78 269	80 743	82 242
Net contributions to other sectors by owner	4 276	7 138	8 187	5 875	4 803
Revaluation gain/(loss) for period	(2 583)	(3 912)	(5 713)	(4 376)	(4 721)
Investment in other sector entities at end of period	75 043	78 269	80 743	82 242	82 324

Source: Department of Treasury and Finance

Investments in other sector entities are estimated based on their audited net assets as at 30 June 2020, adjusted by management estimates of subsequent operating results, capital investments, distributions and returns of capital.

1.6.2 Payables (\$ million)

	2020 actual	2021 budget	2022 estimate	2023 estimate	2024 estimate
Accounts payable and accrued expenses	4 523	4 541	4 513	4 296	4 278
Contract liabilities ^(a)	68	68	68	68	68
Accrued taxes payable	94	94	95	95	96
Unearned income and grant of a right to the operator liability	12 185	10 663	14 221	14 144	13 448
Total payables	16 870	15 366	18 897	18 603	17 890

Source: Department of Treasury and Finance

Note:

(a) Contract liabilities are where a customer has paid an amount of consideration prior to the State performing its contractual obligations by transferring the related good or service to the customer.

Payables consist of accounts payable, contract liabilities, accrued taxes such as GST and fringe benefit tax, and unearned income including deferred income from service concession arrangements and licences.

Estimates of accounts payable are based on known movements in contractual arrangements, other outstanding payables and historical experience.

Unearned income and grant of a right to the operator liabilities will reduce each year as income is progressively brought to account over the remaining period of the concession term or licence. The estimated changes in other components are based on historical experience.

1.6.3 Superannuation

Reconciliation of the superannuation liabilities (\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Emergency Services and State Super				
Defined benefit obligation	49 826	49 035	48 223	47 398
Tax liability ^(a)	2 771	2 639	2 507	2 361
Plan assets	(22 154)	(22 571)	(22 995)	(23 505)
Net liability/(asset)	30 442	29 103	27 735	26 254
Other funds ^(b)				
Defined benefit obligation	2 314	2 327	2 341	2 369
Tax liability ^(a)	..	..	..	..
Plan assets	(914)	(895)	(878)	(864)
Net liability/(asset)	1 400	1 432	1 463	1 504
Total superannuation				
Defined benefit obligation	52 139	51 362	50 564	49 766
Tax liability ^(a)	2 771	2 639	2 507	2 361
Plan assets	(23 068)	(23 466)	(23 873)	(24 369)
Superannuation liability	31 842	30 536	29 197	27 759
Represented by:				
Current liability	1 007	1 007	1 079	1 283
Non-current liability	30 834	29 528	28 119	26 475
Total superannuation liability	31 842	30 536	29 197	27 759

Source: Department of Treasury and Finance

Notes:

(a) Tax liability is the present value of tax payments on contributions that are expected to be required to fund accrued benefits.

(b) Other funds include constitutionally protected schemes and the State's share of liabilities of the Defined Benefit Scheme of the former Health Super Fund.

Reconciliation of the present value of the defined benefit obligation (\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Opening balance of defined benefit obligation	53 817	54 910	54 002	53 071
Current service cost	1 285	1 322	1 306	1 295
Interest expense	519	516	507	497
Contributions by plan participants	213	205	197	189
Actuarial (gains)/losses on the defined benefit obligation, due to:				
Changes in financial assumptions	2 119	..	..	..
Benefits paid	(3 043)	(2 951)	(2 941)	(2 924)
Closing balance of defined benefit obligation	54 910	54 002	53 071	52 128

Source: Department of Treasury and Finance

Reconciliation of the fair value of superannuation plan assets (\$ million)

	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Opening balance of plan assets	22 591	23 068	23 466	23 873
Interest income	214	205	209	212
Return on plan assets not included in interest income	1 443	1 372	1 392	1 412
Employer contributions	1 649	1 567	1 551	1 605
Contributions by plan participants	213	205	197	189
Benefits paid (including tax paid)	(3 043)	(2 951)	(2 941)	(2 924)
Closing balance of plan assets	23 068	23 466	23 873	24 369

Source: Department of Treasury and Finance

See Note 1.3.2 *Superannuation expenses* for further information on superannuation assumptions.

1.7 OTHER DISCLOSURES

Introduction

This section includes several additional disclosures that assist the understanding of the Estimated Financial Statements.

Structure

- 1.7.1 Other gains/(losses) from other economic flows..... 44
- 1.7.2 Reconciliation between Government Finance Statistics and Australian Accounting Standards..... 45
- 1.7.3 Prospective accounting and reporting changes 48
- 1.7.4 Controlled entities..... 49

1.7.1 Other gains/(losses) from other economic flows	(\$ million)			
	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Net (increase)/decrease in allowances for credit losses	(157)	(198)	(200)	(210)
Amortisation of intangible non-produced assets	(6)	(7)	(7)	(7)
Bad debts written off	(170)	(171)	(173)	(173)
Other gains/(losses)	(42)	(35)	(54)	(19)
Total other gains/(losses) from other economic flows	(376)	(410)	(434)	(408)

Source: Department of Treasury and Finance

Other economic flows are expected changes in the volume or value of an asset or liability arising from market remeasurements, rather than from transactions. They include gains and losses from revaluing biological assets, fair value changes of financial instruments, and depletion of natural assets (non-produced) from their use or removal.

1.7.2 Reconciliation between Government Finance Statistics and Australian Accounting Standards

To assist in an understanding of the relationship of the various balances and aggregates presented in this financial report prepared on the basis of relevant Australian Accounting Standards, and the related balances and aggregates presented under the Government Finance Statistics (GFS) reporting framework, this note seeks to outline the key unconverged differences between the two reporting frameworks.

GFS information enables policymakers and analysts to study developments in the financial operations, financial position and liquidity situation of governments based on consistent economic reporting rules and definitions.

AASB 1049 provides optional relief from the disclosure of reconciliations of key fiscal aggregates measured in accordance with the GFS where they differ from the key fiscal aggregates provided pursuant to this Accounting Standard. This optional relief was applied from the *2019-20 Financial Report* and has been applied across the budget and forward estimates.

The State has adopted the optional relief, which requires an explanation of how each of the key fiscal aggregates required per AASB 1049 is calculated and how it differs from the corresponding key fiscal aggregate measured in accordance with the ABS GFS.

The key fiscal aggregates below, as defined by AASB 1049, have convergence differences with the GFS:

- **Cash surplus/deficit** represents the net cash flows from operating activities plus net cash flows from investments in non-financial assets (less dividends paid for the PNFC and PFC sectors);
- **Comprehensive result – total change in net worth** is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners;
- **Net lending/borrowing** is the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. A positive result reflects a net lending position and a negative result reflects a net borrowing position;
- **Net result from transactions – net operating balance** is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies; and
- **Net worth** is calculated as assets less liabilities, which is an economic measure of wealth.

The convergence differences between AASB 1049 and the GFS and their expected impacts applying GFS methodology are outlined in the following table:

<i>Convergence difference</i>	<i>AASB 1049 treatment</i>	<i>ABS GFS treatment</i>	<i>Fiscal aggregate impact</i>
AASB 16 Leases			
	Operating leases are recognised on the balance sheet under AASB 16 <i>Leases</i> unless the lease is shorter than 12 months or where the underlying assets are worth less than \$10 000.	Under GFS, operating leases are not recognised on the balance sheet.	<ul style="list-style-type: none"> • Cash surplus/ deficit • Comprehensive result – total change in net worth • Net lending/ borrowing • Net result from transactions – net operating balance • Net worth
AASB 1059 Service concession arrangements			
	Economic service concession arrangements, such as toll roads, are recognised on the State's balance sheet under AASB 1059 <i>Service Concession Arrangements: Grantors</i> .	Under GFS, economic service concession arrangements, such as toll roads, are not recognised on the balance sheet.	<ul style="list-style-type: none"> • Cash surplus/deficit • Comprehensive result – total change in net worth • Net lending/borrowing • Net result from transactions – net operating balance • Net worth
AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities			
	Deferral of revenue recognition, such as where performance obligations exist for capital grants from the Commonwealth Government, is a requirement under AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i> .	Under GFS, the deferral of revenue recognition, such as where performance obligations exist for capital grants from the Commonwealth Government, is not recognised. This timing difference is expected to impact all the key fiscal aggregates. While it is expected that there will not be a net change to the fiscal aggregates over time, there will be convergence differences in any given year.	<ul style="list-style-type: none"> • Cash surplus/deficit • Comprehensive result – total change in net worth • Net lending/borrowing • Net result from transactions – net operating balance • Net worth

<i>Convergence difference</i>	<i>AASB 1049 treatment</i>	<i>ABS GFS treatment</i>	<i>Fiscal aggregate impact</i>
Port of Melbourne lease transaction			
Port Licence Fee	Under Australian Accounting Standards (AAS) the 15-year prepaid Port Licence Fee from the medium-term lease of the Port of Melbourne is recognised upfront upon receipt.	Under GFS, the 15-year prepaid Port Licence Fee from the medium-term lease of the Port of Melbourne is recognised as revenue over the 15-year period.	<ul style="list-style-type: none"> • Comprehensive result – total change in net worth • Net lending/borrowing • Net result from transactions – net operating balance • Net worth
Port of Melbourne lease transaction	Under AAS, the Port of Melbourne lease transaction has been treated as an operating lease with the leased assets remaining with the PNFC sector.	Under GFS, the Port of Melbourne lease transaction is recognised as a sale of equity from the general government sector.	<ul style="list-style-type: none"> • Cash surplus/deficit • Comprehensive result – total change in net worth • Net lending/borrowing • Net result from transactions – net operating balance • Net worth
Doubtful receivables			
	Under AAS, provisions for doubtful receivables are included on the balance sheet as an offset to assets.	Under GFS, the act of creating provisions is not considered an economic event and is therefore not included on the balance sheet.	<ul style="list-style-type: none"> • Comprehensive result – total change in net worth • Net worth
Investment in other sector entities			
	Under AAS, the net worth of investments in other sector entities for the general government sector includes doubtful receivables, future tax benefits and deferred tax liabilities of the PNFC and PFC sectors.	Under GFS, the determination of net worth is exclusive of this.	<ul style="list-style-type: none"> • Comprehensive result – total change in net worth • Net worth

1.7.3 Prospective accounting and reporting changes

New and revised accounting standards have been issued which are not effective for the 2020-21 reporting period. These accounting standards have not been applied to the Estimated Financial Statements. The State is reviewing its existing policies and assessing the potential implications of:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* operative on or after 1 January 2022 with earlier application permitted. However, the AASB has recently issued ED 301 *Classification of Liabilities as Current or Non-Current – Deferral of Effective Date* with the intention to defer the application by one year to periods beginning on or after 1 January 2023. This standard amends AASB 101 to clarify requirements for the presentation of liabilities in the balance sheet as current or non-current. The State is in the process of analysing the impacts of this standard and it is not anticipated to have a material impact.
- AASB 2020-3 *Amendments to Australian Accounting Standards- Annual Improvements 2018-2020 and Other Amendments* operative on or after 1 January 2022. This standard amends AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141 arising from changes made by the International Accounting Standards Board. The State is in the process of analysing the impacts of this standard, and it is not anticipated to have a material impact.
- AASB 17 *Insurance Contracts*: operative on or after 1 January 2021, will supersede AASB 4 *Insurance Contracts*. AASB 17 seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including reissuance contracts that an insurer holds. The standard also provides new requirements for presentation and disclosure to enhance comparability between entities. The standard currently does not apply to not-for-profit public sector entities.

In addition, several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on public sector reporting.

1.7.4 Controlled entities

Note 9.9 Controlled entities in Chapter 4 *Annual Financial Report* of the 2019-20 Financial Report for the State of Victoria lists significant controlled entities, which were consolidated in that financial report.

The following are changes in general government sector entities since 1 July 2020, which have also been incorporated in this financial report:

General government	
Department of Premier and Cabinet	Parliament of Victoria
Cenitex ^(a)	Independent Broad-based Anti-corruption Commission (IBAC) ^(e)
Department of Environment, Land, Water and Planning	Ombudsman Victoria ^(e)
Cladding Safety Victoria ^(b)	Parliamentary Budget Office (PBO) ^(f)
Victorian Energy Safety Commission ^(c)	Victorian Inspectorate ^(e)
Department of Justice and Community Safety	
Fire Rescue Victoria ^(d)	
Public non-financial corporations	
Department of Transport	Department of Health and Human Services
Development Victoria ^(g)	Remembrance Parks Central Victoria ⁽ⁱ⁾
Department of Environment, Land, Water and Planning	
Great Ocean Road Coast and Parks Authority ^(h)	

Notes:

- (a) Effective from 1 August 2020, Cenitex transferred from the Department of Treasury and Finance to the Department of Premier and Cabinet.
- (b) Cladding Safety Victoria (CSV) is expected to be established after the passing of the Cladding Safety Victoria Bill 2020 (currently before Parliament), and if passed, it is anticipated that CSV will commence as an agency on 1 December 2020
- (c) Effective from 1 January 2021, Energy Safe Victoria will also be known as the Victorian Energy Safety Commission.
- (d) Fire Rescue Victoria has replaced the Metropolitan Fire and Emergency Services Board from 1 July 2020.
- (e) Effective from 1 July 2020, the Independent Broad-based Anti-corruption Commission (IBAC), Ombudsman Victoria and Victorian Inspectorate transferred from the Department of Justice and Community Safety to become budget independent offices of Parliament.
- (f) Effective from 1 July 2020, the Parliamentary Budget Office's financial management services were transferred from the Department of Parliamentary Services to the Parliamentary Budget Office.
- (g) Effective from 1 July 2020, portfolio responsibility for Development Victoria transferred from the Department of Jobs, Precincts and Regions to the Department of Transport.
- (h) The Great Ocean Road Coast and Parks Authority (GORCAPA) was established under the Great Ocean Road and Environs Protection Act 2020. GORCAPA will protect and manage Crown land and coastal assets within the Great Ocean Road coast and parks commencing on 1 December 2020.
- (i) Effective from 6 August 2020, Bendigo Cemeteries Trust changed its name to Remembrance Parks Central Victoria.

CHAPTER 2 – SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

Table 2.1: Public non-financial corporations sector comprehensive operating statement for the financial year ended 30 June (\$ million)

	2019-20 <i>actual</i>	2020-21 <i>budget</i>	2021-22 <i>estimate</i>	2022-23 <i>estimate</i>	2023-24 <i>estimate</i>
Revenue and income from transactions					
Interest income	44	39	15	8	8
Dividend income	32	18	25	25	25
Sales of goods and services	6 657	6 511	6 633	7 317	7 293
Grants	4 170	5 858	5 266	4 368	4 296
Other revenue and income	766	582	608	627	730
Total revenue and income from transactions	11 668	13 008	12 548	12 345	12 352
Expenses from transactions					
Employee expenses	1 451	1 461	1 501	1 527	1 559
Net superannuation interest expense	1	4	4	4	4
Other superannuation	139	140	146	152	157
Depreciation	1 824	1 713	1 753	1 822	1 874
Interest expense	916	892	867	856	848
Grant expense	270	1 599	1 221	410	391
Other operating expenses	6 310	7 086	6 662	7 015	6 833
Other property expenses	293	193	218	226	244
Total expenses from transactions	11 204	13 089	12 372	12 012	11 910
Net result from transactions – net operating balance	465	(81)	176	332	442
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	(98)	424	48	48	38
Net gain/(loss) on financial assets or liabilities at fair value	9	..	..	..	..
Other gains/(losses) from other economic flows	(198)	(5 337)	(5 910)	(4 689)	(5 048)
Total other economic flows included in net result	(287)	(4 913)	(5 862)	(4 641)	(5 010)
Net result	178	(4 994)	(5 686)	(4 309)	(4 569)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	154	1 230	9	25	(13)
Remeasurement of superannuation defined benefit plans	(14)	(10)	..	..	..
Other movements in equity	10	(21)	17	17	17
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(8)	5	..	..	..
Total other economic flows – other comprehensive income	141	1 204	26	41	4
Comprehensive result – total change in net worth	319	(3 790)	(5 660)	(4 268)	(4 565)

Table 2.1: Public non-financial corporations sector comprehensive operating statement for the financial year ended 30 June *(continued)* (\$ million)

	<i>2019-20 actual</i>	<i>2020-21 budget</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>	<i>2023-24 estimate</i>
KEY FISCAL AGGREGATES					
Net operating balance	465	(81)	176	332	442
Less: Net acquisition of non-financial assets from transactions	5 002	8 808	9 515	6 798	5 688
Net lending/(borrowing)	(4 537)	(8 889)	(9 339)	(6 466)	(5 246)

Source: Department of Treasury and Finance

Table 2.2: Public non-financial corporations sector balance sheet as at 30 June (\$ million)

	2020 actual	2021 budget	2022 estimate	2023 estimate	2024 estimate
Assets					
Financial assets					
Cash and deposits	1 532	1 022	847	840	861
Advances paid	2 226	341	95	52	51
Receivables and contract assets	1 773	1 675	1 580	1 459	1 406
Investments, loans and placements	638	636	586	585	665
Total financial assets	6 169	3 674	3 109	2 937	2 983
Non-financial assets					
Inventories	1 044	1 347	1 478	1 333	1 192
Non-financial assets held for sale	34	17	13	19	18
Land, buildings, infrastructure, plant and equipment	105 027	109 719	113 027	115 047	115 585
Other non-financial assets	2 985	3 246	3 484	3 768	4 009
Total non-financial assets	109 092	114 329	118 003	120 167	120 805
Total assets	115 261	118 003	121 111	123 104	123 788
Liabilities					
Deposits held and advances received	2 669	768	519	477	463
Payables	9 955	9 620	9 517	9 373	9 227
Contract liabilities	73	76	108	109	109
Borrowings	17 395	19 234	20 281	20 967	21 822
Employee benefits	517	478	481	485	489
Superannuation	65	64	64	64	64
Other provisions	9 702	9 656	9 577	9 574	9 484
Total liabilities	40 377	39 896	40 547	41 049	41 659
Net assets	74 884	78 107	80 564	82 055	82 129
Accumulated surplus/(deficit)	(15 963)	(21 118)	(26 909)	(31 352)	(36 106)
Reserves	90 847	99 225	107 473	113 407	118 236
Net worth	74 884	78 107	80 564	82 055	82 129
FISCAL AGGREGATES					
Net financial worth	(34 208)	(36 223)	(37 439)	(38 112)	(38 676)
Net financial liabilities	34 208	36 223	37 439	38 112	38 676
Net debt	15 668	18 003	19 271	19 967	20 709

Source: Department of Treasury and Finance

Table 2.3: Public non-financial corporations sector cash flow statement for the financial year ended 30 June (\$ million)

	2019-20 actual	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Cash flows from operating activities					
Receipts					
Grants	4 164	5 853	5 268	4 370	4 295
Sales of goods and services ^(a)	7 190	6 624	7 221	7 982	7 829
Interest received	49	51	16	8	8
Dividend receipts	32	18	24	25	25
Other receipts	197	364	231	253	407
Total receipts	11 631	12 910	12 759	12 638	12 565
Payments					
Payments for employees	(1 413)	(1 501)	(1 497)	(1 524)	(1 556)
Superannuation	(140)	(155)	(150)	(156)	(161)
Interest paid	(932)	(901)	(866)	(853)	(844)
Grants and subsidies	(79)	(1 338)	(967)	(157)	(136)
Goods and services ^(a)	(4 503)	(5 240)	(4 439)	(4 757)	(4 598)
Other payments	(2 864)	(2 801)	(3 191)	(3 282)	(3 363)
Total payments	(9 931)	(11 936)	(11 111)	(10 729)	(10 658)
Net cash flows from operating activities	1 700	974	1 648	1 909	1 907
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(2 684)	(4 224)	(3 124)	(2 606)	(2 459)
Sales of non-financial assets	205	549	230	193	141
Net cash flows from investments in non-financial assets	(2 480)	(3 674)	(2 893)	(2 413)	(2 318)
Net cash flows from investments in financial assets for policy purposes	1 771	1 857	263	46	18
Subtotal	(709)	(1 817)	(2 631)	(2 367)	(2 300)
Net cash flows from investment in financial assets for liquidity management purposes	135	12	48	15	(80)
Net cash flows from investing activities	(574)	(1 805)	(2 583)	(2 353)	(2 379)
Cash flows from financing activities					
Advances received (net)	(1 738)	(1 885)	(254)	(36)	(8)
Net borrowings	587	1 813	1 075	695	863
Deposits received (net)	(53)	(17)	5	(7)	(6)
Other financing (net)	11	409	(67)	(216)	(355)
Net cash flows from financing activities	(1 193)	321	760	437	494
Net increase/(decrease) in cash and cash equivalents	(67)	(510)	(175)	(7)	21
Cash and cash equivalents at beginning of reporting period	1 598	1 532	1 022	847	840
Cash and cash equivalents at end of reporting period	1 532	1 022	847	840	861

Table 2.3: Public non-financial corporations sector cash flow statement for the financial year ended 30 June (continued) (\$ million)

	2019-20 <i>actual</i>	2020-21 <i>budget</i>	2021-22 <i>estimate</i>	2022-23 <i>estimate</i>	2023-24 <i>estimate</i>
FISCAL AGGREGATES					
Net cash flows from operating activities	1 700	974	1 648	1 909	1 907
Dividends paid	(347)	(125)	(70)	(116)	(164)
Net cash flows from investments in non-financial assets	(2 480)	(3 674)	(2 893)	(2 413)	(2 318)
Cash surplus/(deficit)	(1 127)	(2 826)	(1 315)	(620)	(575)

Source: Department of Treasury and Finance

Note:

(a) Inclusive of goods and services tax.

Table 2.4: Public non-financial corporations sector statement of changes in equity for the financial year ended 30 June**(\$ million)**

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owners</i>
2019-20 actual		
Balance at 1 July 2019	(15 792)	62 949
Net result for the year	178	..
Other comprehensive income for the year	(1)	..
Dividends paid	(347)	..
Transactions with owners in their capacity as owners	..	4 276
Total equity as at 30 June 2020	(15 963)	67 225
2020-21 budget		
Balance at 1 July 2020 ^(a)	(15 963)	67 225
Net result for the year	(4 994)	..
Other comprehensive income for the year	(36)	..
Dividends paid	(125)	..
Transactions with owners in their capacity as owners	..	7 138
Total equity as at 30 June 2021	(21 118)	74 363
2021-22 estimate		
Balance at 1 July 2021	(21 118)	74 363
Net result for the year	(5 686)	..
Other comprehensive income for the year	(34)	..
Dividends paid	(70)	..
Transactions with owners in their capacity as owners	..	8 187
Total equity as at 30 June 2022	(26 909)	82 551
2022-23 estimate		
Balance at 1 July 2022	(26 909)	82 551
Net result for the year	(4 309)	..
Other comprehensive income for the year	(18)	..
Dividends paid	(116)	..
Transactions with owners in their capacity as owners	..	5 875
Total equity as at 30 June 2023	(31 352)	88 425
2023-24 estimate		
Balance at 1 July 2023	(31 352)	88 425
Net result for the year	(4 569)	..
Other comprehensive income for the year	(22)	..
Dividends paid	(164)	..
Transactions with owners in their capacity as owners	..	4 803
Total equity as at 30 June 2024	(36 106)	93 228

Source: Department of Treasury and Finance

<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
22 893	586	70 636
..	..	178
154	(11)	141
..	..	(347)
..	..	4 276
23 046	575	74 884
23 046	575	74 884
..	..	(4 994)
1 230	10	1 204
..	..	(125)
..	..	7 138
24 277	585	78 107
24 277	585	78 107
..	..	(5 686)
9	51	26
..	..	(70)
..	..	8 187
24 286	636	80 564
24 286	636	80 564
..	..	(4 309)
25	35	41
..	..	(116)
..	..	5 875
24 311	671	82 055
24 311	671	82 055
..	..	(4 569)
(13)	39	4
..	..	(164)
..	..	4 803
24 298	710	82 129

Table 2.5: Net acquisition of non-financial assets – public non-financial corporations sector

(\$ million)

	2019-20 actual	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Purchases of non-financial assets (including change in inventories)	2 684	4 224	3 123	2 606	2 459
Less: Sales of non-financial assets	(205)	(549)	(230)	(193)	(141)
Less: Depreciation and amortisation	(1 824)	(1 713)	(1 753)	(1 822)	(1 874)
Plus: Other movements in non-financial assets ^(a)	4 347	6 846	8 375	6 207	5 243
Total net acquisition of non-financial assets from transactions	5 002	8 808	9 515	6 798	5 688

Source: Department of Treasury and Finance

Note:

(a) The other movements in non-financial assets primarily include fixed asset transfers from the general government sector to the public non-financial corporations sector.

Table 2.6: Non-financial public sector comprehensive operating statement
for the financial year ended 30 June (\$ million)

	2019-20 actual	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Revenue and income from transactions					
Taxation	22 745	20 489	23 249	25 566	27 052
Interest income	181	196	201	202	202
Dividends, income tax equivalent and rate equivalent income	200	189	204	187	180
Sales of goods and services	11 769	12 061	12 614	13 480	13 576
Grants	32 772	33 485	34 588	38 209	40 058
Other revenue and income	3 427	3 199	3 422	3 620	3 840
Total revenue and income from transactions	71 095	69 620	74 277	81 264	84 908
Expenses from transactions					
Employee expenses	28 597	31 366	32 075	33 539	34 795
Net superannuation interest expense	408	309	315	303	289
Other superannuation	3 213	3 469	3 522	3 576	3 684
Depreciation	6 395	6 745	7 096	7 535	7 927
Interest expense	2 761	3 230	3 475	3 866	4 337
Grant expense	11 260	17 534	14 549	13 286	13 407
Other operating expenses	25 560	31 392	27 245	26 818	27 348
Total expenses from transactions	78 194	94 045	88 277	88 924	91 786
Net result from transactions – net operating balance	(7 099)	(24 424)	(14 000)	(7 660)	(6 878)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	(190)	433	76	94	65
Net gain/(loss) on financial assets or liabilities at fair value	89	(13)	(11)	(6)	4
Other gains/(losses) from other economic flows	(3 259)	(454)	(479)	(498)	(471)
Total other economic flows included in net result	(3 357)	(36)	(414)	(410)	(403)
Net result	(10 456)	(24 460)	(14 414)	(8 070)	(7 281)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	16 503	2 978	948	5 400	4 752
Remeasurement of superannuation defined benefit plans	(2 735)	(686)	1 372	1 392	1 412
Other movements in equity	(97)	(9)	37	35	35
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(182)	7	3	3	3
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	(2 555)	4	17	8	7
Total other economic flows – other comprehensive income	10 935	2 294	2 378	6 837	6 210
Comprehensive result – total change in net worth	479	(22 166)	(12 037)	(1 233)	(1 071)
KEY FISCAL AGGREGATES					
Net operating balance	(7 099)	(24 424)	(14 000)	(7 660)	(6 878)
Less: Net acquisition of non-financial assets from transactions	8 813	16 832	14 883	15 848	14 904
Net lending/(borrowing)	(15 912)	(41 256)	(28 883)	(23 508)	(21 782)

Source: Department of Treasury and Finance

Table 2.7: Non-financial public sector balance sheet as at 30 June (\$ million)

	2020 actual	2021 budget	2022 estimate	2023 estimate	2024 estimate
Assets					
Financial assets					
Cash and deposits	14 569	13 215	13 168	13 369	13 716
Advances paid	483	678	837	825	891
Receivables and contract assets	7 581	9 175	7 572	7 805	8 223
Investments, loans and placements	3 227	3 214	3 072	3 089	3 233
Investments accounted for using equity method	10	10	10	10	10
Investments in other sector entities	162	166	183	190	198
Total financial assets	26 032	26 457	24 841	25 288	26 271
Non-financial assets					
Inventories	1 710	1 605	1 740	1 598	1 462
Non-financial assets held for sale	226	220	229	233	203
Land, buildings, infrastructure, plant and equipment	308 655	328 975	345 286	366 709	386 227
Other non-financial assets	4 197	3 965	3 797	3 591	3 410
Total non-financial assets	314 789	334 765	351 051	372 132	391 301
Total assets	340 820	361 222	375 892	397 420	417 572
Liabilities					
Deposits held and advances received	1 660	1 662	1 559	1 556	1 553
Payables	26 497	24 632	28 062	27 597	26 728
Contract liabilities	140	143	174	175	176
Borrowings	76 584	120 165	144 438	168 565	191 755
Employee benefits	9 545	9 827	10 139	10 454	10 775
Superannuation	31 293	31 906	30 600	29 262	27 823
Other provisions	1 435	1 422	1 491	1 615	1 638
Total liabilities	147 154	189 757	216 463	239 224	260 448
Net assets	193 667	171 466	159 429	158 196	157 124
Accumulated surplus/(deficit)	90 381	65 188	52 132	45 453	39 581
Reserves	103 285	106 278	107 297	112 742	117 543
Net worth	193 667	171 466	159 429	158 196	157 124
FISCAL AGGREGATES					
Net financial worth	(121 122)	(163 299)	(191 622)	(213 936)	(234 177)
Net financial liabilities	121 284	163 465	191 805	214 126	234 375
Net debt	59 965	104 721	128 921	152 838	175 469

Source: Department of Treasury and Finance

Table 2.8: Non-financial public sector cash flow statement for the financial year ended 30 June

(\$ million)

	2019-20 actual	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Cash flows from operating activities					
Receipts					
Taxes received	22 836	18 845	24 926	25 363	26 674
Grants	34 279	32 280	34 664	38 209	40 057
Sales of goods and services and other receipts ^(a)	15 200	15 621	19 659	17 349	17 466
Interest received	199	190	185	185	186
Dividends, income tax equivalent and rate equivalent receipts	198	189	202	187	180
Total receipts	72 712	67 124	79 636	81 292	84 563
Payments					
Payments for employees	(27 708)	(31 092)	(31 770)	(33 231)	(34 487)
Superannuation	(3 745)	(3 851)	(3 771)	(3 825)	(3 999)
Interest paid	(2 532)	(2 871)	(3 097)	(3 353)	(3 836)
Grants and subsidies	(11 569)	(17 452)	(14 515)	(13 252)	(13 372)
Goods and services ^(a)	(27 188)	(31 515)	(27 974)	(27 579)	(28 155)
Other payments	(1 520)	(1 346)	(1 028)	(911)	(868)
Total payments	(74 262)	(88 126)	(82 156)	(82 152)	(84 716)
Net cash flows from operating activities	(1 550)	(21 001)	(2 520)	(860)	(153)
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(12 416)	(20 704)	(19 630)	(20 375)	(20 507)
Sales of non-financial assets	369	807	750	741	522
Net cash flows from investments in non-financial assets	(12 047)	(19 896)	(18 881)	(19 635)	(19 985)
Net cash flows from investments in financial assets for policy purposes	(86)	(218)	(121)	33	(32)
Subtotal	(12 133)	(20 114)	(19 002)	(19 602)	(20 017)
Net cash flows from investment in financial assets for liquidity management purposes	(356)	5	82	(39)	(146)
Net cash flows from investing activities	(12 489)	(20 109)	(18 920)	(19 641)	(20 163)
Cash flows from financing activities					
Advances received (net)	106	6	(112)	..	..
Net borrowings	17 099	39 754	21 496	20 706	20 666
Deposits received (net)	30	(4)	9	(4)	(3)
Net cash flows from financing activities	17 235	39 756	21 393	20 702	20 663
Net increase/(decrease) in cash and cash equivalents	3 196	(1 354)	(47)	202	346
Cash and cash equivalents at beginning of reporting period	11 373	14 569	13 215	13 168	13 369
Cash and cash equivalents at end of reporting period	14 569	13 215	13 168	13 369	13 716
FISCAL AGGREGATES					
Net cash flows from operating activities	(1 550)	(21 001)	(2 520)	(860)	(153)
Net cash flows from investments in non-financial assets	(12 047)	(19 896)	(18 881)	(19 635)	(19 985)
Cash surplus/(deficit)	(13 597)	(40 898)	(21 400)	(20 494)	(20 139)

Source: Department of Treasury and Finance

Note:

(a) Sales of goods and services and payments for goods and services are inclusive of goods and services tax.

**Table 2.9: Non-financial public sector statement of changes in equity
for the financial year ended 30 June**

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-financial assets revaluation surplus</i>
2019-20 actual		
Balance at 1 July 2019	79 526	109 000
Net result for the year	(10 456)	..
Other comprehensive income for the year	(2 890)	16 503
Transfer to/(from) accumulated surplus	24 201	(24 201)
Total equity as at 30 June 2020	90 381	101 302
2020-21 budget		
Balance at 1 July 2020 ^(a)	90 346	101 302
Net result for the year	(24 460)	..
Other comprehensive income for the year	(698)	2 978
Transfer to/(from) accumulated surplus	..	..
Total equity as at 30 June 2021	65 188	104 280
2021-22 estimate		
Balance at 1 July 2021	65 188	104 280
Net result for the year	(14 414)	..
Other comprehensive income for the year	1 358	948
Transfer to/(from) accumulated surplus	..	..
Total equity as at 30 June 2022	52 132	105 228
2022-23 estimate		
Balance at 1 July 2022	52 132	105 228
Net result for the year	(8 070)	..
Other comprehensive income for the year	1 392	5 400
Transfer to/(from) accumulated surplus	..	..
Total equity as at 30 June 2023	45 453	110 628
2023-24 estimate		
Balance at 1 July 2023	45 453	110 628
Net result for the year	(7 281)	..
Other comprehensive income for the year	1 409	4 752
Transfer to/(from) accumulated surplus	..	..
Total equity as at 30 June 2024	39 581	115 380

Source: Department of Treasury and Finance

Note:

(a) The 1 July 2020 opening balance has been restated to reflect more current information.

<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
3 056	1 606	193 188
..	..	(10 456)
(2 555)	(123)	10 935
..
501	1 483	193 667
501	1 483	193 632
..	..	(24 460)
4	10	2 294
..
504	1 493	171 466
504	1 493	171 466
..	..	(14 414)
17	54	2 378
..
521	1 548	159 429
521	1 548	159 429
..	..	(8 070)
8	37	6 837
..
529	1 585	158 196
529	1 585	158 196
..	..	(7 281)
7	41	6 210
..
537	1 626	157 124

Table 2.10: Net acquisition of non-financial assets – non-financial public sector (\$ million)

	2019-20 actual	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Purchases of non-financial assets (including change in inventories)	12 863	20 297	19 633	20 380	20 511
Less: Sales of non-financial assets	(369)	(807)	(750)	(741)	(522)
Less: Depreciation and amortisation	(6 395)	(6 745)	(7 096)	(7 535)	(7 927)
Plus: Other movements in non-financial assets ^{(a)(b)}	2 714	4 088	3 096	3 745	2 842
Total net acquisition of non-financial assets from transactions	8 813	16 832	14 883	15 848	14 904

Source: Department of Treasury and Finance

Notes:

- (a) The other movements in non-financial assets includes recognising right of use assets under lease arrangements, and recognising service concession arrangements, including from public private partnerships.
- (b) The public private partnerships across the actual, budget and forward estimates relate to the Casey Hospital expansion, the High Capacity Metro Trains Project, the Metro Tunnel, the new Footscray Hospital, Frankston Hospital Redevelopment, North East Link, the Western Roads Upgrade, and the West Gate Tunnel Project.

Table 2.11: Public financial corporations sector comprehensive operating statement for the financial year ended 30 June (\$ million)

	2019-20 actual	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Revenue and income from transactions					
Interest income	1 851	2 041	2 247	2 619	3 113
Dividend income	2 218	1 250	1 275	1 773	1 879
Sales of goods and services	4 996	5 074	5 629	5 895	6 175
Other revenue and income	19	22	22	23	23
Total revenue and income from transactions	9 084	8 387	9 173	10 310	11 191
Expenses from transactions					
Employee expenses	381	416	411	419	428
Other superannuation	32	35	36	37	39
Depreciation	73	83	105	112	118
Interest expense	1 789	1 910	2 135	2 439	2 923
Grant expense	283	232	851	754	608
Other operating expenses	8 383	9 123	9 789	10 296	11 023
Other property expenses	58	5	6	7	7
Total expenses from transactions	10 998	11 804	13 334	14 064	15 145
Net result from transactions – net operating balance ^(a)	(1 914)	(3 417)	(4 161)	(3 754)	(3 954)
Other economic flows included in net result					
Net gain/(loss) on financial assets or liabilities at fair value	(2 566)	(103)	436	722	765
Other gains/(losses) from other economic flows	560	1 685	1 741	1 617	1 740
Total other economic flows included in net result	(2 005)	1 582	2 177	2 339	2 505
Net result	(3 920)	(1 835)	(1 984)	(1 415)	(1 450)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	1	..	..	..	..
Other movements in equity	(1)	..	..	..	..
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	..	..	..	..	..
Total other economic flows – other comprehensive income	..	..	..	..	..
Comprehensive result – total change in net worth	(3 919)	(1 835)	(1 984)	(1 415)	(1 450)
KEY FISCAL AGGREGATES					
Net operating balance	(1 914)	(3 417)	(4 161)	(3 754)	(3 954)
Less: Net acquisition of non-financial assets from transactions	59	40	72	(24)	(76)
Net lending/(borrowing)	(1 974)	(3 457)	(4 233)	(3 731)	(3 878)

Source: Department of Treasury and Finance

Note:

(a) Capital gains on the investment portfolios of the State's insurance agencies (WorkSafe Victoria, Transport Accident Commission and Victorian Managed Insurance Authority) are classified as other economic flows. As these capital gains are available to fund claims expenses, the net result more meaningfully reflects the underlying operations and performance of the public financial corporations sector than the net result from transactions.

Table 2.12: Public financial corporations sector balance sheet as at 30 June (\$ million)

	2020 actual	2021 budget	2022 estimate	2023 estimate	2024 estimate
Assets					
Financial assets					
Cash and deposits	8 069	4 463	4 476	4 639	5 097
Advances paid	12	7	6	5	4
Receivables and contract assets	1 758	1 597	1 639	1 694	1 758
Investments, loans and placements	37 448	36 563	36 961	38 191	39 337
Loans receivable from non-financial public sector ^(a)	48 921	94 454	117 730	139 768	163 264
Total financial assets	96 208	137 084	160 812	184 296	209 460
Non-financial assets					
Land, buildings, infrastructure, plant and equipment	412	375	355	325	292
Other non-financial assets	4 120	4 866	5 548	5 977	6 371
Total non-financial assets	4 532	5 240	5 902	6 303	6 663
Total assets	100 739	142 325	166 715	190 599	216 123
Liabilities					
Deposits held and advances received	259	216	170	161	177
Payables	2 379	1 660	1 647	1 582	1 515
Borrowings ^(b)	63 682	105 378	128 666	150 678	174 145
Employee benefits	117	106	109	110	113
Other provisions	44 424	46 982	50 188	53 592	57 184
Total liabilities	110 862	154 342	180 779	206 123	233 134
Net assets ^(c)	(10 122)	(12 017)	(14 065)	(15 524)	(17 011)
Accumulated surplus/(deficit)	(10 196)	(12 090)	(14 137)	(15 597)	(17 085)
Reserves	74	73	73	73	74
Net worth ^(c)	(10 122)	(12 017)	(14 065)	(15 524)	(17 011)
FISCAL AGGREGATES					
Net financial worth	(14 654)	(17 257)	(19 967)	(21 827)	(23 674)
Net financial liabilities	14 654	17 257	19 967	21 827	23 674
Net debt	(30 509)	(29 893)	(30 338)	(31 764)	(33 379)

Source: Department of Treasury and Finance

Notes:

(a) Loans receivable from the non-financial public sector are at amortised cost.

(b) Borrowings with the private sector are at market value.

(c) Treasury Corporation of Victoria's external loan liabilities are at mark-to-market value, while the corresponding assets, that is lending to the non-financial public sector, are at historical value.

**Table 2.13: Public financial corporations sector cash flow statement
for the financial year ended 30 June**

(\$ million)

	2019-20 actual	2020-21 actual	2021-22 budget	2022-23 estimate	2023-24 estimate
Cash flows from operating activities					
Receipts					
Sales of goods and services ^(a)	5 648	5 768	6 046	6 344	6 650
Interest received	1 734	1 961	2 167	2 539	3 033
Dividend receipts	2 218	1 250	1 275	1 773	1 879
Other receipts	57	38	63	30	23
Total receipts	9 656	9 017	9 550	10 685	11 586
Payments					
Payments for employees	(372)	(427)	(409)	(418)	(425)
Superannuation	(32)	(35)	(36)	(37)	(39)
Interest paid	(1 745)	(1 956)	(2 186)	(2 491)	(2 975)
Grants and subsidies	(283)	(263)	(850)	(753)	(607)
Goods and services ^(a)	(5 235)	(6 813)	(5 963)	(6 293)	(6 752)
Other payments	(4)	(4)	(6)	(6)	(6)
Total payments	(7 671)	(9 499)	(9 450)	(9 999)	(10 805)
Net cash flows from operating activities	1 985	(481)	101	686	781
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(133)	(122)	(177)	(88)	(42)
Sales of non-financial assets	1	..	..	..	(1)
Net cash flows from investments in non-financial assets	(132)	(122)	(178)	(88)	(43)
Net cash flows from investments in financial assets for policy purposes	15	4	1	1	1
Subtotal	(117)	(119)	(177)	(87)	(41)
Net cash flows from investment in financial assets for liquidity management purposes	(10 732)	(44 389)	(23 159)	(22 465)	(23 797)
Net cash flows from investing activities	(10 849)	(44 508)	(23 336)	(22 552)	(23 839)
Cash flows from financing activities					
Advances received (net)	(32)	(8)	(1)	(1)	(1)
Net borrowings	14 958	41 485	23 358	22 082	23 537
Deposits received (net)	(1 999)	(34)	(45)	(7)	17
Other financing (net)	(60)	(60)	(64)	(45)	(37)
Net cash flows from financing activities	12 867	41 383	23 248	22 030	23 515
Net increase/(decrease) in cash and cash equivalents	4 003	(3 606)	13	164	457
Cash and cash equivalents at beginning of reporting period	4 067	8 069	4 463	4 476	4 639
Cash and cash equivalents at end of reporting period	8 069	4 463	4 476	4 639	5 097
FISCAL AGGREGATES					
Net cash flows from operating activities	1 985	(481)	101	686	781
Dividends paid	(60)	(60)	(64)	(45)	(37)
Net cash flows from investments in non-financial assets	(132)	(122)	(178)	(88)	(43)
Cash surplus/(deficit)	1 793	(663)	(141)	553	701

Source: Department of Treasury and Finance

Note:

(a) Inclusive of goods and services tax.

Table 2.14: Public financial corporations sector statement of changes in equity
for the financial year ended 30 June (\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owners</i>
2019-20 actual		
Balance at 1 July 2019	(6 211)	29
Net result for the year	(3 920)	..
Other comprehensive income for the year	(5)	..
Dividends paid	(60)	..
Total equity as at 30 June 2020	(10 196)	29
2020-21 budget		
Balance at 1 July 2020 ^(a)	(10 196)	29
Net result for the year	(1 835)	..
Other comprehensive income for the year	1	..
Dividends paid	(60)	..
Total equity as at 30 June 2021	(12 090)	29
2021-22 estimate		
Balance at 1 July 2021	(12 090)	29
Net result for the year	(1 984)	..
Other comprehensive income for the year	..	..
Dividends paid	(64)	..
Total equity as at 30 June 2022	(14 137)	29
2022-23 estimate		
Balance at 1 July 2022	(14 137)	29
Net result for the year	(1 415)	..
Other comprehensive income for the year	..	..
Dividends paid	(45)	..
Total equity as at 30 June 2023	(15 597)	29
2023-24 estimate		
Balance at 1 July 2023	(15 597)	29
Net result for the year	(1 450)	..
Other comprehensive income for the year	(1)	..
Dividends paid	(37)	..
Total equity as at 30 June 2024	(17 085)	29

Source: Department of Treasury and Finance

<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2	37	(6 143)
..	..	(3 920)
1	4	..
..	..	(60)
4	41	(10 122)
4	41	(10 122)
..	..	(1 835)
..	(1)	..
..	..	(60)
4	41	(12 017)
4	41	(12 017)
..	..	(1 984)
..
..	..	(64)
4	41	(14 065)
4	41	(14 065)
..	..	(1 415)
..
..	..	(45)
4	41	(15 524)
4	41	(15 524)
..	..	(1 450)
..	1	..
..	..	(37)
4	42	(17 011)

Table 2.15: Net acquisition of non-financial assets – public financial corporations sector

(\$ million)

	<i>2019-20 actual</i>	<i>2020-21 budget</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>	<i>2023-24 estimate</i>
Purchases of non-financial assets less sales of non-financial assets (including change in inventories)	132	122	178	88	43
Less: Depreciation and amortisation	(73)	(83)	(105)	(112)	(118)
Plus: Other movements in non-financial assets	..	..	..	..	..
Total net acquisition of non-financial assets from transactions	59	40	72	(24)	(76)

Source: Department of Treasury and Finance

Table 2.16: State of Victoria operating statement for the financial year ended 30 June (\$ million)

	2019-20 actual	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Revenue and income from transactions					
Taxation	22 730	20 472	23 232	25 549	27 035
Interest income	484	367	374	449	459
Dividend income	2 352	1 375	1 408	1 909	2 015
Sales of goods and services	15 810	16 075	17 079	18 162	18 484
Grants	32 505	33 186	33 731	37 444	39 435
Other revenue and income	3 447	3 221	3 444	3 643	3 863
Total revenue and income from transactions	77 327	74 696	79 268	87 156	91 292
Expenses from transactions					
Employee expenses	28 503	31 337	32 044	33 505	34 762
Net superannuation interest expense	408	309	315	303	289
Other superannuation	3 245	3 505	3 557	3 613	3 722
Depreciation	6 467	6 828	7 201	7 647	8 045
Interest expense	3 002	3 276	3 543	3 941	4 411
Grant expense	11 276	17 552	14 566	13 295	13 411
Other operating expenses	33 447	39 799	36 272	36 318	37 528
Total expenses from transactions	86 348	102 604	97 500	98 622	102 169
Net result from transactions – net operating balance	(9 021)	(27 908)	(18 232)	(11 466)	(10 877)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	(190)	433	76	94	65
Net gain/(loss) on financial assets or liabilities at fair value	(2 476)	(116)	425	716	769
Other gains/(losses) from other economic flows	(4 014)	615	600	680	816
Total other economic flows included in net result	(6 677)	931	1 101	1 491	1 650
Net result	(15 699)	(26 977)	(17 130)	(9 975)	(9 227)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	16 504	2 978	948	5 400	4 752
Remeasurement of superannuation defined benefit plans	(2 735)	(686)	1 372	1 392	1 412
Other movements in equity	(98)	(9)	37	35	35
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(182)	7	3	3	3
Total other economic flows – other comprehensive income	13 490	2 290	2 360	6 829	6 202
Comprehensive result – total change in net worth	(2 208)	(24 687)	(14 770)	(3 146)	(3 025)
KEY FISCAL AGGREGATES					
Net operating balance	(9 021)	(27 908)	(18 232)	(11 466)	(10 877)
Less: Net acquisition of non-financial assets from transactions	8 871	16 872	14 956	15 825	14 828
Net lending/(borrowing)	(17 893)	(44 780)	(33 188)	(27 291)	(25 705)

Source: Department of Treasury and Finance

Table 2.17: State of Victoria balance sheet as at 30 June

(\$ million)

	2020 actual	2021 budget	2022 estimate	2023 estimate	2024 estimate
Assets					
Financial assets					
Cash and deposits	19 185	17 506	17 487	17 857	18 645
Advances paid	483	678	837	825	891
Receivables and contract assets	9 069	10 537	8 968	9 254	9 734
Investments, loans and placements	40 381	39 495	39 781	41 030	42 318
Investments accounted for using equity method	10	10	10	10	10
Total financial assets	69 128	68 227	67 083	68 976	71 599
Non-financial assets					
Inventories	1 710	1 605	1 740	1 598	1 462
Non-financial assets held for sale	226	220	229	233	203
Land, buildings, infrastructure, plant and equipment	309 065	329 348	345 639	367 033	386 518
Other non-financial assets	4 401	4 299	4 151	3 936	3 697
Total non-financial assets	315 402	335 472	351 758	372 801	391 879
Total assets	384 530	403 698	418 842	441 776	463 477
Liabilities					
Deposits held and advances received	1 693	1 691	1 588	1 584	1 581
Payables	28 614	26 066	29 475	28 944	28 005
Contract liabilities	140	143	174	175	176
Borrowings	87 778	130 789	155 080	179 190	202 358
Employee benefits	9 662	9 933	10 248	10 564	10 888
Superannuation	31 293	31 906	30 600	29 262	27 823
Other provisions	45 859	48 403	51 678	55 206	58 820
Total liabilities	205 039	248 930	278 843	304 924	329 650
Net assets	179 491	154 769	139 999	136 852	133 827
Accumulated surplus/(deficit)	76 661	48 951	33 178	24 595	16 775
Reserves	102 830	105 818	106 820	112 258	117 052
Net worth	179 491	154 769	139 999	136 852	133 827
FISCAL AGGREGATES					
Net financial worth	(135 912)	(180 703)	(211 760)	(235 948)	(258 051)
Net financial liabilities	135 912	180 703	211 760	235 948	258 051
Net debt	29 422	74 801	98 563	121 062	142 084

Source: Department of Treasury and Finance

Table 2.18: State of Victoria cash flow statement for the financial year ended 30 June

(\$ million)

	2019-20 actual	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Cash flows from operating activities					
Receipts					
Taxes received	22 820	18 827	24 909	25 346	26 657
Grants	34 013	31 950	33 808	37 444	39 436
Sales of goods and services and other receipts ^(a)	19 926	20 363	24 609	22 510	22 873
Interest received	368	281	278	352	364
Dividend receipts	2 352	1 375	1 407	1 909	2 015
Total receipts	79 479	72 796	85 011	87 562	91 344
Payments					
Payments for employees	(27 605)	(31 074)	(31 736)	(33 195)	(34 451)
Superannuation	(3 777)	(3 886)	(3 807)	(3 863)	(4 037)
Interest paid	(2 712)	(2 964)	(3 218)	(3 481)	(3 963)
Grants and subsidies	(11 586)	(17 470)	(14 532)	(13 261)	(13 377)
Goods and services ^(a)	(31 903)	(37 606)	(33 181)	(33 077)	(34 064)
Other payments	(1 520)	(1 346)	(1 028)	(911)	(868)
Total payments	(79 103)	(94 345)	(87 501)	(87 788)	(90 762)
Net cash flows from operating activities	375	(21 550)	(2 490)	(225)	583
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(12 548)	(20 826)	(19 808)	(20 463)	(20 549)
Sales of non-financial assets	370	807	750	740	521
Net cash flows from investments in non-financial assets	(12 178)	(20 019)	(19 058)	(19 723)	(20 028)
Net cash flows from investments in financial assets for policy purposes	(87)	(218)	(121)	33	(32)
Subtotal	(12 265)	(20 237)	(19 180)	(19 691)	(20 060)
Net cash flows from investment in financial assets for liquidity management purposes	3 896	1 146	170	(469)	(445)
Net cash flows from investing activities	(8 369)	(19 091)	(19 009)	(20 160)	(20 505)
Cash flows from financing activities					
Advances received (net)	90	2	(112)	..	..
Net borrowings	14 483	38 963	21 584	20 758	20 714
Deposits received (net)	(88)	(4)	9	(4)	(3)
Net cash flows from financing activities	14 484	38 961	21 481	20 754	20 710
Net increase/(decrease) in cash and cash equivalents	6 490	(1 679)	(19)	369	788
Cash and cash equivalents at beginning of reporting period	12 695	19 185	17 506	17 487	17 857
Cash and cash equivalents at end of reporting period	19 185	17 506	17 487	17 857	18 645
FISCAL AGGREGATES					
Net cash flows from operating activities	375	(21 550)	(2 490)	(225)	583
Net cash flows from investments in non-financial assets	(12 178)	(20 019)	(19 058)	(19 723)	(20 028)
Cash surplus/(deficit)	(11 803)	(41 568)	(21 549)	(19 949)	(19 445)

Source: Department of Treasury and Finance

Note:

(a) Sales of goods and services and payments for goods and services are inclusive of goods and services tax.

Table 2.19: State of Victoria statement of changes in equity for the financial year ended 30 June (\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2019-20 actual				
Balance at 1 July 2019	71 053	109 002	1 643	181 699
Net result for the year	(15 699)	..	..	(15 699)
Other comprehensive income for the year	(2 895)	16 504	(119)	13 490
Transfer to/(from) accumulated surplus	24 201	(24 201)	..	..
Total equity as at 30 June 2020	76 661	101 305	1 524	179 491
2020-21 budget				
Balance at 1 July 2020 ^(a)	76 626	101 305	1 524	179 456
Net result for the year	(26 977)	..	..	(26 977)
Other comprehensive income for the year	(698)	2 978	10	2 290
Transfer to/(from) accumulated surplus	..	..	..	..
Total equity as at 30 June 2021	48 951	104 284	1 534	154 769
2021-22 estimate				
Balance at 1 July 2021	48 951	104 284	1 534	154 769
Net result for the year	(17 130)	..	..	(17 130)
Other comprehensive income for the year	1 358	948	54	2 360
Transfer to/(from) accumulated surplus	..	..	..	..
Total equity as at 30 June 2022	33 178	105 232	1 588	139 999
2022-23 estimate				
Balance at 1 July 2022	33 178	105 232	1 588	139 999
Net result for the year	(9 975)	..	..	(9 975)
Other comprehensive income for the year	1 392	5 400	38	6 829
Transfer to/(from) accumulated surplus	..	..	..	..
Total equity as at 30 June 2023	24 595	110 632	1 626	136 852
2023-24 estimate				
Balance at 1 July 2023	24 595	110 632	1 626	136 852
Net result for the year	(9 227)	..	..	(9 227)
Other comprehensive income for the year	1 408	4 752	42	6 202
Transfer to/(from) accumulated surplus	..	..	..	..
Total equity as at 30 June 2024	16 775	115 384	1 668	133 827

Source: Department of Treasury and Finance

Note:

(a) The 1 July 2020 opening balance has been restated to reflect more current information.

Table 2.20: Net acquisition of non-financial assets – State of Victoria (\$ million)

	2019-20 actual	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Purchases of non-financial assets (including change in inventories)	12 995	20 419	19 811	20 468	20 553
Less: Sales of non-financial assets	(370)	(807)	(750)	(740)	(521)
Less: Depreciation and amortisation	(6 467)	(6 828)	(7 201)	(7 647)	(8 045)
Plus: Other movements in non-financial assets ^{(a)(b)}	2 714	4 088	3 096	3 745	2 842
Total net acquisition of non-financial assets from transactions	8 871	16 872	14 956	15 825	14 828

Source: Department of Treasury and Finance

Notes:

- (a) The other movements in non-financial assets includes recognising right of use assets under lease arrangements, and recognising service concession arrangements, including from public private partnerships.
- (b) The public private partnerships across the actual, budget and forward estimates relate to the Casey Hospital expansion, the High Capacity Metro Trains Project, the Metro Tunnel, the new Footscray Hospital, Frankston Hospital Redevelopment, North East Link, the Western Roads Upgrade, and the West Gate Tunnel Project.

CHAPTER 3 – DEPARTMENTAL FINANCIAL STATEMENTS

This chapter should be read in conjunction with Budget Paper No. 3 *Service Delivery*, which sets out the goods and services funded by the Government that are to be delivered by departments in the coming financial year.

The following tables outline each department's actual and forecast financial performance and position:

- the comprehensive operating statement details the department's revenue and expenses on an accrual basis reflecting the cost of providing its outputs;
- the balance sheet shows all controlled assets and liabilities of the department. The difference between these is the net assets position, being the State's equity interest in the department;
- the cash flow statement shows cash receipts and payments, including the cash impact of operating, financing and investing activities on departmental resources;
- the statement of changes in equity shows the impact of the net result and other comprehensive income items, such as the revaluation of non-financial assets, and owner contributions, on the total equity of the department;
- the administered items statement provides details of the department's administered revenue and expenses, and its administered assets and liabilities. Most administered expenses are paid in cash in the year in which the item is recognised. Therefore, an administered departmental cash flow statement is not provided; and
- payments on behalf of the State (where applicable) detail payments made by the department on behalf of the State Government, not directly reflecting the operations of the department.

The 2019-20 budget figures have been restated to reflect the 2018-19 actual closing balances.

The departmental financial statements would ordinarily include an update to the original 2019-20 budget figures. As a result of the *2020-21 Budget* being released in late 2020, 2019-20 actuals are included in these statements as they are the most up to date information on the financial operations and position of the departments.

DEPARTMENT OF EDUCATION AND TRAINING

Operating performance

The Department of Education and Training is expected to report an operating surplus of \$408 million in 2020-21, compared with an operating surplus of \$558 million for the 2019-20 actuals.

The surplus is primarily attributable to government school operations and capital grant revenue from the Growth Areas Infrastructure Contribution fund for schools in Melbourne's expanding growth suburbs.

The operating statement shows an increase in operating income of \$1.2 billion between the 2019-20 actuals and the 2020-21 budget. This is primarily due to additional funding for service delivery, including funding for higher school enrolments. The year-on-year increase also includes funding of initiatives announced in the *2020-21 Budget*, including:

- Inclusion for all: New funding and support model for school students with disability;
- Skills for women, young people, migrants, vulnerable Victorians and retrenched workers;
- Supporting families with children in kindergarten; and
- Tutors deployed to bring students up to speed.

Operating expenses are expected to increase by \$1.3 billion in 2020-21, primarily driven by the factors outlined above.

Balance sheet

The Department's net assets position is estimated to increase by \$1.6 billion in 2020-21, compared with the 2019-20 actuals, reflecting an increase in total assets of \$1.7 billion and an increase in total liabilities of \$46 million.

The increase in total assets reflects the Government's continued investment in major building upgrades and the construction of new schools and relocatable buildings.

Investing and financing

The Department is anticipating a decrease of \$134 million in its net cash position in 2020-21, compared with the 2019-20 actuals, mainly due to reduced TAFE cash balances associated with a reduction in third party revenue due to the coronavirus (COVID-19) pandemic and largely unchanged expenditure.

Cash flows from investing activities primarily reflect the significant investment in purchases of property, plant and equipment for the continued asset commitment in schools, and new asset projects funded in the *2020-21 Budget* including:

- Building Better TAFEs Fund;
- Essential maintenance and compliance;
- Land acquisition;
- New schools construction; and
- School upgrades.

Administered items statement

The Department is responsible for administering revenue on behalf of the State, including recurrent Commonwealth funding provided to the non-government school sector and the collection of international student fees for schools.

Total administered income of the Department is expected to increase by \$31 million in 2020-21, compared with the 2019-20 actuals. This is primarily driven by an increase in recurrent Commonwealth funding provided to the non-government school sector under the School Funding Reform framework as part of the Commonwealth's *Australian Education Act 2013*. The increase in 2020-21 is partially offset by the Commonwealth bringing forward some payments to non-government schools into 2019-20 from 2020-21.

Total administered expenses of the Department are expected to increase by \$75 million.

Table 3.1.1: Comprehensive operating statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	13 816	14 579	14 888	16 274
Special appropriations	1	..	8	6
Interest	29	28	20	18
Sale of goods and services	612	678	762	694
Grants	186	82	140	45
Other income	626	670	434	365
Total income from transactions	15 269	16 037	16 250	17 401
Expenses from transactions				
Employee benefits	7 732	8 220	8 336	8 674
Depreciation	476	583	539	575
Interest expense	33	38	34	29
Grants and other transfers	1 195	1 469	1 379	1 795
Capital asset charge	1 599	1 964	1 964	1 996
Other operating expenses	3 481	3 355	3 442	3 923
Total expenses from transactions	14 517	15 629	15 693	16 993
Net result from transactions (net operating balance)	753	408	558	408
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	2	2	4	(8)
Share of net profits/(losses) of associates and joint venture entities, excluding dividends	..	..	3	(2)
Net gain/(loss) on financial instruments and statutory receivables/payables	(10)	..	(2)	(3)
Other gains/(losses) from economic flows	(91)	(1)	(38)	(1)
Total other economic flows included in net result	(100)	1	(33)	(13)
Net result	653	409	524	395
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	(1 370)	(10)	..	(22)
Financial assets available-for-sale reserve	(4)	..	..	..
Other	4	..	(8)	12
Total other economic flows – other comprehensive income	(1 369)	(10)	(8)	(9)
Comprehensive result	(717)	399	516	385

Sources: Departments of Education and Training, and Treasury and Finance

Table 3.1.2: Balance sheet

(\$ million)

	2019 actual	2020 budget	2020 actual	2021 budget
Assets				
Financial assets				
Cash and deposits	1 755	1 816	2 044	1 910
Receivables from government	2 116	2 193	2 168	2 477
Other receivables	243	242	190	172
Other financial assets	46	111	39	32
Total financial assets	4 159	4 362	4 441	4 592
Non-financial assets				
Inventories	1	1	1	1
Non-financial assets classified as held for sale including disposal group assets	23	24	6	7
Property, plant and equipment	26 734	28 178	27 901	29 414
Investment properties	110	110	117	117
Intangible assets	63	66	64	70
Other	55	55	58	69
Total non-financial assets	26 986	28 435	28 148	29 679
Total assets	31 145	32 797	32 589	34 270
Liabilities				
Payables	915	916	1 054	1 041
Borrowings	533	990	666	617
Provisions	1 797	1 680	1 989	2 096
Total liabilities	3 245	3 587	3 709	3 755
Net assets	27 900	29 210	28 880	30 516
Equity				
Accumulated surplus/(deficit)	3 878	4 286	4 397	4 804
Reserves	13 695	13 685	13 661	13 639
Contributed capital	10 328	11 239	10 822	12 072
Total equity	27 900	29 210	28 880	30 516

Sources: Departments of Education and Training, and Treasury and Finance

Table 3.1.3: Statement of cash flows

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Cash flows from operating activities				
Receipts				
Receipts from Government	13 693	14 505	14 861	15 989
Receipts from other entities	612	654	862	702
Interest received	29	28	20	18
Other receipts	724	767	533	367
Total receipts	15 058	15 953	16 276	17 076
Payments				
Payments of grants and other transfers	(1 139)	(1 467)	(1 386)	(1 794)
Payments to suppliers and employees	(11 104)	(11 453)	(11 581)	(12 487)
Capital asset charge	(1 599)	(1 964)	(1 964)	(1 996)
Interest and other costs of finance paid	(33)	(38)	(34)	(29)
Total payments	(13 874)	(14 923)	(14 964)	(16 306)
Net cash flows from/(used in) operating activities	1 184	1 031	1 312	770
Cash flows from investing activities				
Net investment	502	(65)	9	6
Payments for non-financial assets	(1 706)	(1 758)	(1 504)	(2 178)
Proceeds from sale of non-financial assets	49	2	8	4
Net loans to other parties	4	3	3	3
Net (purchase)/disposal of investments – policy purposes	..	..	(2)	..
Net cash flow from/(used in) investing activities	(1 150)	(1 818)	(1 486)	(2 165)
Cash flows from financing activities				
Owner contributions by State Government	699	911	502	1 310
Repayment of leases and service concession liabilities	(12)	(55)	(43)	(47)
Net borrowings	(5)	(7)	5	(2)
Net cash flows from/(used in) financing activities	682	849	464	1 260
Net increase/(decrease) in cash and cash equivalents	715	61	290	(134)
Cash and cash equivalents at the beginning of the financial year	1 039	1 755	1 755	2 044
Cash and cash equivalents at the end of the financial year	1 755	1 816	2 044	1 910

Sources: Departments of Education and Training, and Treasury and Finance

Table 3.1.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2018	3 223	9 667	15 062	5	27 956
Comprehensive result	655	..	(1 370)	(2)	(717)
Transactions with owners in their capacity as owners	..	660	..	..	660
Closing balance 30 June 2019 (actual)	3 878	10 328	13 692	3	27 900
Comprehensive result	409	..	(10)	..	399
Transactions with owners in their capacity as owners	..	911	..	..	911
Closing balance 30 June 2020 (budget)	4 286	11 239	13 682	3	29 210
Comprehensive result	518	..	..	(1)	516
Transactions with owners in their capacity as owners	1	494	(32)	..	464
Closing balance 30 June 2020 (actual)	4 397	10 822	13 659	1	28 880
Comprehensive result	407	..	(22)	..	385
Transactions with owners in their capacity as owners	..	1 250	..	..	1 250
Closing balance 30 June 2021 (budget)	4 804	12 072	13 638	1	30 516

Sources: Departments of Education and Training, and Treasury and Finance

Table 3.1.5: Administered items statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Administered income				
Sale of goods and services	87	73	91	88
Grants	3 446	3 634	3 805	3 841
Other income	5	2	3	2
Total administered income	3 537	3 709	3 900	3 931
Administered expenses				
Expenses on behalf of the State	1	..	1	..
Grants and other transfers	3 439	3 626	3 797	3 834
Payments into the Consolidated Fund	68	83	34	74
Total administered expenses	3 508	3 709	3 832	3 908
Income less expenses	30	..	68	23
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(39)	..	(49)	(23)
Total other economic flows included in net result	(39)	..	(49)	(23)
Net result	(9)	..	19	..
Comprehensive result	(9)	..	19	..
Administered assets				
Cash and deposits	2	..	3	3
Receivables	16	18	34	34
Other financial assets	..	..	..	..
Total administered assets	18	18	37	37
Administered liabilities				
Total administered liabilities				
Net assets	18	18	37	37

Sources: Departments of Education and Training, and Treasury and Finance

DEPARTMENT OF ENVIRONMENT, LAND, WATER AND PLANNING

Operating performance

The Department of Environment, Land, Water and Planning is expected to report an operating deficit of \$349 million in 2020-21, compared with an operating deficit of \$4 million for the 2019-20 actuals.

The deficit is primarily attributable to the drawdown of cash balances from the Sustainability Fund for a range of initiatives including delivery of new parklands and trails across greater Melbourne that will improve the resilience of Victoria's ecosystems and native species to climate change and a number of waste management projects.

The operating statement shows an increase in operating income of \$177 million between the 2019-20 actuals and the 2020-21 budget. The year-on-year increase reflects funding for the following initiatives announced in the *2020-21 Budget*:

- \$250 Power Saving Bonus;
- Advanced bushfire management;
- Cheaper cleaner energy to drive economic recovery;
- Energy efficiency upgrades for homes;
- Big Housing Build: Implementing the Commissioner for Better Regulation's planning reforms;
- Improving the health of Victoria's waterways and catchments in the face of escalating impacts of climate change;
- Industry energy transformation; and
- More solar homes.

Operating expenses are expected to increase by \$522 million in 2020-21, primarily due to the factors outlined above.

Balance sheet

The Department's net assets position is estimated to decrease by \$164 million in 2020-21, compared with the 2019-20 actuals, reflecting a decrease in total assets of \$139 million and an increase in total liabilities of \$25 million.

The change in total assets primarily reflects the cash drawdown associated with initiatives funded through the Sustainability Fund.

Investing and financing

The Department is anticipating a decrease of \$366 million in its net cash position in 2020-21, compared with the 2019-20 actuals, mainly due to the cash drawdown associated with initiatives funded through the Sustainability Fund.

Cash flows from investing activities for 2020-21 include payments for non-financial assets of \$192 million, reflecting the Government's continued investment in the environment, land, water and planning sectors. The Government's investment in new asset initiatives in the *2020-21 Budget* includes:

- Expanding Werribee Open Range Zoo;
- Great Ocean Road management reforms;
- Big Housing Build: Improving the planning system for urban and regional development and state infrastructure;
- More Solar homes; and
- Safer, better public parks.

Administered items statement

The Department administers expenses on behalf of the State relating to Victoria's share of the Murray Darling Basin Authority's operating costs.

The Department's administered income primarily comprises contributions to the Victorian Desalination project, the Environmental Contribution Levy and Consolidated Fund revenue collected by Land Use Victoria.

Total administered income of the Department is expected to decrease by \$615 million in 2020-21, compared with the 2019-20 actuals. This is primarily due to the machinery of government change transferring administration of the Commonwealth local government grants to the Department of Jobs, Precincts and Regions.

Total administered expenses of the Department are expected to decrease by \$589 million, primarily due to the factors outlined above.

Table 3.2.1: Comprehensive operating statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	1 837	1 710	2 017	2 280
Special appropriations	150	140	152	140
Interest	26	22	11	21
Sale of goods and services	102	51	118	81
Grants	161	31	26	34
Other income	577	404	471	417
Total income from transactions	2 854	2 357	2 794	2 971
Expenses from transactions				
Employee benefits	520	513	588	534
Depreciation	60	82	79	64
Interest expense	1	7	12	..
Grants and other transfers	1 278	1 146	1 145	1 615
Capital asset charge	93	95	95	96
Other operating expenses	724	629	879	1 011
Total expenses from transactions	2 677	2 471	2 798	3 320
Net result from transactions (net operating balance)	177	(114)	(4)	(349)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	45	(1)	7	(3)
Net gain/(loss) on financial instruments and statutory receivables/payables	(4)	(6)	(106)	(31)
Other gains/(losses) from economic flows	(5)	..	4	..
Total other economic flows included in net result	36	(7)	(95)	(34)
Net result	213	(121)	(99)	(383)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	172	..	1	..
Other	..	..	(26)	..
Total other economic flows – other comprehensive income	172	..	(25)	..
Comprehensive result	385	(121)	(124)	(383)

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Table 3.2.2: Balance sheet

(\$ million)

	2019 actual	2020 budget	2020 actual	2021 budget
Assets				
Financial assets				
Cash and deposits	1 212	1 251	1 254	888
Receivables from government	280	290	314	310
Other receivables	193	257	221	336
Other financial assets	285	285	189	184
Total financial assets	1 969	2 083	1 978	1 718
Non-financial assets				
Inventories	15	19	22	26
Non-financial assets classified as held for sale including disposal group assets	18	19	18	18
Property, plant and equipment	6 942	7 105	6 433	6 557
Intangible assets	65	64	47	46
Other	56	9	6	..
Total non-financial assets	7 096	7 216	6 525	6 646
Total assets	9 066	9 299	8 503	8 364
Liabilities				
Payables	203	181	200	218
Borrowings	48	246	55	63
Provisions	164	200	181	181
Total liabilities	415	626	436	461
Net assets	8 650	8 673	8 067	7 903
Equity				
Accumulated surplus/(deficit)	3 260	3 139	3 135	2 753
Reserves	5 356	5 356	4 863	4 863
Contributed capital	34	178	69	288
Total equity	8 650	8 673	8 067	7 903

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Table 3.2.3: Statement of cash flows

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Cash flows from operating activities				
Receipts				
Receipts from Government	1 952	1 846	2 142	2 427
Receipts from other entities	635	498	604	496
Interest received	26	22	9	9
Other receipts	291	13	23	83
Total receipts	2 904	2 378	2 777	3 015
Payments				
Payments of grants and other transfers	(1 359)	(1 063)	(1 156)	(1 619)
Payments to suppliers and employees	(1 147)	(1 101)	(1 388)	(1 543)
Capital asset charge	(93)	(95)	(95)	(96)
Interest and other costs of finance paid	(1)	(6)	(12)	..
Total payments	(2 600)	(2 265)	(2 651)	(3 259)
Net cash flows from/(used in) operating activities	304	114	127	(243)
Cash flows from investing activities				
Net investment	595	3	(104)	(31)
Payments for non-financial assets	(138)	(144)	(79)	(192)
Proceeds from sale of non-financial assets	20	24	28	23
Net loans to other parties	..	(65)	(49)	(116)
Net cash flow from/(used in) investing activities	478	(182)	(204)	(316)
Cash flows from financing activities				
Owner contributions by State Government	34	154	54	219
Repayment of leases and service concession liabilities	(4)	(18)	(29)	(12)
Net borrowings	(317)	(30)	94	(13)
Net cash flows from/(used in) financing activities	(287)	107	119	194
Net increase/(decrease) in cash and cash equivalents	495	39	42	(366)
Cash and cash equivalents at the beginning of the financial year	717	1 212	1 212	1 254
Cash and cash equivalents at the end of the financial year	1 212	1 251	1 254	888

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Table 3.2.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2018	791	2 525	7 976	..	11 292
Comprehensive result	213	..	172	..	385
Transactions with owners in their capacity as owners	2 256	(2 491)	(2 792)	..	(3 028)
Closing balance 30 June 2019 (actual)	3 260	34	5 356	..	8 650
Comprehensive result	(121)	..	..	..	(121)
Transactions with owners in their capacity as owners	..	144	..	..	144
Closing balance 30 June 2020 (budget)	3 139	178	5 356	..	8 673
Comprehensive result	(125)	..	1	..	(124)
Transactions with owners in their capacity as owners	..	35	(494)	..	(459)
Closing balance 30 June 2020 (actual)	3 135	69	4 863	..	8 067
Impacts of prior period adjustments	..	(5)	..	..	(5)
Restated Opening Balance 1 July 2020	3 135	64	4 863	..	8 062
Comprehensive result	(383)	..	..	..	(383)
Transactions with owners in their capacity as owners	..	224	..	..	224
Closing balance 30 June 2021 (budget)	2 753	288	4 863	..	7 903

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Table 3.2.5: Administered items statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Administered income				
Appropriations – payments made on behalf of the State	659	718	706	685
Sale of goods and services	568	650	619	598
Grants	605	310	623	..
Interest	428	416	414	409
Other income	381	281	258	313
Total administered income	2 642	2 375	2 620	2 005
Administered expenses				
Expenses on behalf of the State	137	211	197	185
Grants and other transfers	658	363	681	58
Payments into the Consolidated Fund	4 086	1 318	1 272	1 290
Interest and Depreciation expense	440	427	392	420
Total administered expenses	5 321	2 319	2 542	1 953
Income less expenses	(2 679)	56	78	52
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(27)	(17)	221	(27)
Total other economic flows included in net result	(27)	(17)	221	(27)
Net result	(2 707)	39	299	25
Other economic flows – other comprehensive income				
Asset revaluation reserve	485	..	12	..
Other	..	..	(24)	..
Total other economic flows – other comprehensive income	485	..	(11)	..
Comprehensive result	(2 221)	39	288	25
Administered assets				
Cash and deposits	44	40	50	45
Receivables	3 848	3 784	3 723	3 688
Other financial assets	..	..	..	..
Property, plant and equipment	707	697	718	708
Intangible assets	773	755	782	764
Total administered assets	5 373	5 277	5 273	5 206
Administered liabilities				
Payables	2 889	2 829	2 829	2 757
Borrowings	3 716	3 641	3 341	3 275
Provisions	..	..	..	11
Total administered liabilities	6 605	6 470	6 170	6 043
Net assets	(1 232)	(1 193)	(896)	(837)

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Table 3.2.6: Payments made on behalf of the State

(\$ million)

	<i>2019-20 budget</i>	<i>2019-20 actual</i>	<i>2020-21 budget</i>
Murray-Darling Basin contribution	22	22	22
Victorian Desalination Project	696	684	663
Total	718	706	685

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Operating performance

The Department of Health and Human Services is expected to report an operating deficit of \$490 million in 2020-21, compared with an operating surplus of \$788 million for the 2019-20 actuals.

The deficit is primarily attributable to the inventory on hand relating to the State Supply Arrangement for personal protective equipment (PPE) and other equipment for public hospitals which is expected to be fully expensed in 2020-21. The inventory on hand was accounted for as an asset on the balance sheet in 2019-20.

The operating statement shows an increase in operating income of \$2.2 billion between the 2019-20 actuals and the 2020-21 budget. This is primarily due to the continuing implementation of existing initiatives, additional funding for anticipated cost pressures in 2020-21, and additional Commonwealth funding available under the National Health Reform Agreement and the COVID-19 Response National Partnership Agreement. The year-on-year increase also includes:

- additional funding for services and initiatives in response to the coronavirus (COVID-19) pandemic; and
- funding of the following initiatives announced in the *2020-21 Budget*:
 - A service designed and delivered by people with lived experience of mental illness;
 - Better at home: Hospital care in the home;
 - Decriminalising public drunkenness;
 - Future provision of public sector residential aged care;
 - Improving rural health outcomes;
 - Intensive Family Preservation and Reunification Response;
 - Maintaining hospital capacity;
 - Maintaining the capacity of the children and families system;
 - Meeting critical mental health service demand and saving lives;
 - National Disability Insurance Scheme Stage 2: Out of scope services;
 - Pathways to employment in growth sectors;
 - Reforming care services;
 - Service delivery fund for Aboriginal Community Controlled Organisations and Aboriginal Community Controlled Health Organisations; and
 - Supporting ambulance services.

Operating expenses are expected to increase by \$3.5 billion in 2020-21, primarily due to the expenditure of the additional funding outlined above and utilisation of the State Supply Arrangement inventory.

Balance sheet

The Department's net assets position is estimated to decrease by \$287 million in 2020-21, compared with the 2019-20 actuals, reflecting a decrease in total assets of \$502 million offset by a decrease in total liabilities of \$214 million.

The decrease in assets primarily reflects lower receivables from Government and a cash drawdown associated with the repayment of hospital advances.

The decrease in liabilities primarily reflects the repayment of hospital advances that were provided in 2019-20 as a cash flow advance to cover payroll requirements that were met on 1 July 2020.

Investing and financing

Cash flows from investing activities include payments for property, plant and equipment reflecting the Government's continued asset investment in the health and community services sectors, and new asset projects funded in the *2020-21 Budget* including:

- A pathway to more acute mental health beds: Responding to the Royal Commission into Victoria's Mental Health System interim report;
- Clinical technology refresh;
- Engineering infrastructure and medical equipment replacement programs;
- Metropolitan Health Infrastructure Fund;
- Modernisation of metropolitan Melbourne Public Sector Residential Aged Care Services Strategy: Stage 3 Kingston Project;
- Regional Health Infrastructure Fund;
- Ten new community hospitals to give patients the best care; and
- Warrnambool Base Hospital redevelopment (incl. Warrnambool Logistics Hub).

Administered items statement

Total income administered by the Department on behalf of the State and third parties is not expected to change materially in 2020-21 compared with the 2019-20 actuals.

Total expenses administered by the Department are expected to increase by \$581 million in 2020-21 primarily due to higher estimated cash contributions to the National Disability Insurance Agency, compared with a lower 2019-20 actual that was impacted by a delay in client transition.

Table 3.3.1: Comprehensive operating statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	16 183	16 376	17 600	20 207
Special appropriations	1 513	1 459	1 372	1 100
Interest	55	46	33	46
Sale of goods and services	1 780	1 902	1 778	1 877
Grants	6 792	7 181	8 735	8 409
Fair value of assets and services received free of charge or for nominal consideration	8	..	1	..
Other income	776	784	688	756
Total income from transactions	27 106	27 748	30 207	32 395
Expenses from transactions				
Employee benefits	12 861	13 250	13 557	14 987
Depreciation	960	1 168	1 247	1 279
Interest expense	185	217	185	200
Grants and other transfers	3 241	3 026	4 325	4 549
Capital asset charge	1 266	1 320	1 320	1 428
Other operating expenses	8 402	8 551	8 786	10 442
Total expenses from transactions	26 916	27 532	29 419	32 884
Net result from transactions (net operating balance)	190	216	788	(490)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(53)	(3)	7	(3)
Net gain/(loss) on financial instruments and statutory receivables/payables	(52)	(26)	(59)	(26)
Other gains/(losses) from economic flows	(169)	(8)	(123)	(8)
Total other economic flows included in net result	(274)	(36)	(175)	(37)
Net result	(84)	180	613	(526)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	2 691	2	22	9
Financial assets available-for-sale reserve	23	..	(28)	..
Other	(98)	..	(26)	..
Total other economic flows – other comprehensive income	2 616	2	(33)	9
Comprehensive result	2 532	182	580	(517)

Sources: Departments of Health and Human Services, and Treasury and Finance

Table 3.3.2: Balance sheet

(\$ million)

	2019 actual	2020 budget	2020 actual	2021 budget
Assets				
Financial assets				
Cash and deposits	1 969	2 100	2 412	1 983
Receivables from government	2 989	3 156	3 694	3 361
Other receivables	874	872	681	646
Other financial assets	520	500	440	440
Investments accounted for using equity method	36	36	1	1
Total financial assets	6 388	6 664	7 229	6 431
Non-financial assets				
Inventories	93	92	530	118
Non-financial assets classified as held for sale including disposal group assets	6	6	3	3
Property, plant and equipment	20 551	21 762	21 026	21 985
Investment properties	131	131	135	135
Intangible assets	349	299	452	406
Other	155	101	381	177
Total non-financial assets	21 284	22 390	22 527	22 823
Total assets	27 672	29 054	29 756	29 254
Liabilities				
Payables	2 713	2 717	3 167	2 779
Borrowings	2 890	3 788	3 363	3 410
Provisions	3 638	3 765	4 050	4 176
Total liabilities	9 242	10 271	10 579	10 365
Net assets	18 430	18 783	19 176	18 889
Equity				
Accumulated surplus/(deficit)	1 942	2 112	2 544	2 018
Reserves	10 436	10 438	10 405	10 414
Contributed capital	6 052	6 232	6 227	6 458
Total equity	18 430	18 783	19 176	18 889

Sources: Departments of Health and Human Services, and Treasury and Finance

Table 3.3.3: Statement of cash flows

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Receipts				
Receipts from Government	18 818	18 981	19 629	22 945
Receipts from other entities	7 063	7 676	9 226	8 883
Interest received	54	46	33	45
Other receipts	568	847	852	821
Total receipts	26 503	27 549	29 741	32 695
Payments				
Payments of grants and other transfers	(3 256)	(3 026)	(4 302)	(4 549)
Payments to suppliers and employees	(20 594)	(21 673)	(22 703)	(24 806)
Capital asset charge	(1 266)	(1 320)	(1 320)	(1 428)
Interest and other costs of finance paid	(186)	(217)	(186)	(200)
Total payments	(25 302)	(26 236)	(28 511)	(30 983)
Net cash flows from/(used in) operating activities	1 200	1 313	1 230	1 712
Cash flows from investing activities				
Net investment	187	25	(36)	6
Payments for non-financial assets	(1 194)	(1 132)	(912)	(2 089)
Proceeds from sale of non-financial assets	29	3	21	3
Net loans to other parties	..	2	(30)	35
Net cash flow from/(used in) investing activities	(978)	(1 102)	(957)	(2 045)
Cash flows from financing activities				
Owner contributions by State Government	(35)	181	211	230
Repayment of leases and service concession liabilities	(80)	(251)	(438)	(191)
Net borrowings	66	(11)	397	(137)
Net cash flows from/(used in) financing activities	(49)	(81)	170	(97)
Net increase/(decrease) in cash and cash equivalents	173	131	443	(430)
Cash and cash equivalents at the beginning of the financial year	1 796	1 969	1 969	2 412
Cash and cash equivalents at the end of the financial year	1 969	2 100	2 412	1 983

Sources: Departments of Health and Human Services, and Treasury and Finance

Table 3.3.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2018	2 040	5 913	7 271	535	15 759
Comprehensive result	(98)	..	2 691	(60)	2 532
Transactions with owners in their capacity as owners	..	138	..	..	138
Closing balance 30 June 2019 (actual)	1 942	6 052	9 962	475	18 430
Impacts of prior period adjustments	(9)	..	..	..	(9)
Restated Opening Balance 1 July 2019	1 933	6 052	9 962	475	18 421
Comprehensive result	180	..	2	..	182
Transactions with owners in their capacity as owners	..	181	..	..	181
Closing balance 30 June 2020 (budget)	2 112	6 232	9 964	475	18 783
Comprehensive result	612	..	22	(54)	580
Transactions with owners in their capacity as owners	..	176	..	..	176
Closing balance 30 June 2020 (actual)	2 544	6 227	9 984	421	19 176
Impacts of prior period adjustments	..	(3)	..	..	(3)
Restated Opening Balance 1 July 2020	2 544	6 225	9 984	421	19 174
Comprehensive result	(526)	..	9	..	(517)
Transactions with owners in their capacity as owners	..	233	..	..	233
Closing balance 30 June 2021 (budget)	2 018	6 458	9 993	421	18 889

Sources: Departments of Health and Human Services, and Treasury and Finance

Table 3.3.5: Administered items statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Administered income				
Appropriations – Payments made on behalf of the State	62	64	65	67
Sale of goods and services	370	327	269	339
Grants	11 660	12 425	14 712	14 678
Interest	2	3	1	3
Other income	15	5	105	34
Total administered income	12 109	12 825	15 151	15 120
Administered expenses				
Expenses on behalf of the State	887	926	973	958
Grants and other transfers	10 794	11 520	13 434	13 959
Payments into the Consolidated Fund	466	386	405	476
Total administered expenses	12 148	12 832	14 812	15 393
Income less expenses	(39)	(8)	339	(272)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(12)	8	4	8
Total other economic flows included in net result	(12)	8	4	8
Net result	(51)	..	343	(264)
Total other economic flows – other comprehensive income	(1)	..	..	..
Comprehensive result	(52)	..	343	(264)
Administered assets				
Cash and deposits	120	120	55	3
Receivables	57	57	910	524
Other financial assets	11	11	3	3
Total administered assets	189	189	968	531
Administered liabilities				
Payables	173	173	607	434
Provisions	15	15	7	7
Total administered liabilities	187	187	614	441
Net assets	1	1	354	90

Sources: Departments of Health and Human Services, and Treasury and Finance

Table 3.3.6: Payments made on behalf of the State

(\$ million)

	<i>2019-20 budget</i>	<i>2019-20 actual</i>	<i>2020-21 budget</i>
National Disability Insurance Agency	64	65	67
Total	64	65	67

Sources: Departments of Health and Human Services, and Treasury and Finance

DEPARTMENT OF JOBS, PRECINCTS AND REGIONS

Operating performance

The Department of Jobs, Precincts and Regions is expected to report an operating deficit of \$153 million in 2020-21, compared with an operating deficit of \$47 million for the 2019-20 actuals.

The deficit is primarily attributable to forecast trust fund expenditure for various output initiatives, including the Regional Jobs and Infrastructure Fund.

The operating statement shows an increase in operating income of \$3.1 billion between the 2019-20 actuals and the 2020-21 budget. This is primarily attributable to:

- additional funding for services and initiatives in response to the coronavirus (COVID-19) pandemic; and
- funding of the following initiatives announced in the *2020-21 Budget*:
 - A new strategy to grow and modernise Victorian agriculture;
 - Community Sports Infrastructure Stimulus Program;
 - Growing Suburbs Fund;
 - International Education Sector Recovery Strategy;
 - Jobs for Victoria: Our plan to maximise jobs and help Victorians into work
 - Making rural and regional Victoria a better place to live, work and invest by growing jobs and strengthening communities;
 - Regional creative infrastructure projects;
 - Victoria's Digital Future Now;
 - Visitor Economy: Industry Support; and
 - Visitor Economy: Regional Tourism Investment Fund.

Operating expenses are expected to increase by \$3.2 billion in 2020-21, primarily driven by the factors outlined above, which has resulted in an increase in grants expenditure.

Balance sheet

The Department's net assets position is estimated to decrease by \$111 million in 2020-21, compared with the 2019-20 actuals, reflecting a decrease in total assets of \$121 million and a decrease in total liabilities of \$10 million.

The decrease in total assets reflects the drawdown of trust cash balances for output initiatives, including the Regional Jobs and Infrastructure Fund and the reduction in both assets and liabilities due to the payment of right-of-use leases.

Investing and financing

The Department is anticipating a decrease of \$140 million in its net cash position in 2020-21, compared with the 2019-20 actuals, mainly due to increased cash drawdowns from trust balances for output initiatives.

Cash flows from investing activities primarily reflect payments for non-financial assets, and new asset projects funded in the *2020-21 Budget* including:

- Cultural agencies recovery and adaptation;
- Cultural Facilities Maintenance Fund; and
- Princes Pier: Protecting community safety at one of Victoria's iconic cultural heritage assets.

Administered items statement

The Department is responsible for administering revenue and expenses on behalf of the State including Commonwealth contributions for Financial Assistance Grants to local government, royalty collections, and the quarterly service payments associated with the Melbourne Exhibition and Convention Centre.

Total administered income of the Department is expected to increase by \$305 million in 2020-21, compared with the 2019-20 actuals. This is primarily driven by the Commonwealth funding for the local government grants transferred from the Department of Environment, Land, Water and Planning (DELWP) following the machinery of government change effective 1 July 2020.

Total administered expenses of the Department are expected to increase by \$297 million in line with the anticipated increase in administered income.

Table 3.4.1: Comprehensive operating statement

(\$ million)

	2018-19 actual ^(a)	2019-20 budget	2019-20 actual	2020-21 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	1 098	1 982	3 052	6 367
Special appropriations	1	2	2	..
Interest	8	12	12	9
Sale of goods and services	59	111	128	114
Grants	54	54	189	34
Fair value of assets and services received free of charge or for nominal consideration	..	1	1	1
Other income	37	27	32	29
Total income from transactions	1 257	2 189	3 415	6 554
Expenses from transactions				
Employee benefits	268	472	549	590
Depreciation	51	145	129	131
Interest expense	14	40	35	35
Grants and other transfers	566	1 027	1 884	5 015
Capital asset charge	79	167	167	170
Other operating expenses	299	485	699	766
Total expenses from transactions	1 277	2 337	3 462	6 708
Net result from transactions (net operating balance)	(20)	(148)	(47)	(153)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(1)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	1	..	1	..
Other gains/(losses) from economic flows	(2)	..	(1)	..
Total other economic flows included in net result	(1)	..	..	..
Net result	(21)	(148)	(47)	(153)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	255	(1)	31	(1)
Other	8	2	(9)	3
Total other economic flows – other comprehensive income	263	2	21	2
Comprehensive result	242	(147)	(26)	(151)

Sources: Departments of Jobs, Precincts and Regions, and Treasury and Finance

Note:

(a) The Department of Jobs, Precincts and Regions began operations from 1 January 2019.

Table 3.4.2: Balance sheet

(\$ million)

	2019 actual ^(a)	2020 budget	2020 actual	2021 budget
Assets				
Financial assets				
Cash and deposits	667	488	567	428
Receivables from government	365	466	397	452
Other receivables	435	440	395	400
Other financial assets	122	123	98	101
Total financial assets	1 590	1 517	1 458	1 382
Non-financial assets				
Inventories	4	4	3	3
Property, plant and equipment	8 344	8 753	8 450	8 402
Biological assets	2	2	2	2
Intangible assets	36	38	36	38
Other	13	13	29	30
Total non-financial assets	8 399	8 810	8 521	8 475
Total assets	9 989	10 328	9 978	9 857
Liabilities				
Payables	693	699	595	590
Borrowings	343	717	468	458
Provisions	147	148	158	162
Total liabilities	1 182	1 564	1 220	1 210
Net assets	8 807	8 764	8 758	8 647
Equity				
Accumulated surplus/(deficit)	(337)	(486)	(405)	(563)
Reserves	6 149	6 151	6 191	6 193
Contributed capital	2 996	3 099	2 972	3 017
Total equity	8 807	8 764	8 758	8 647

Sources: Departments of Jobs, Precincts and Regions, and Treasury and Finance

Note:

(a) The Department of Jobs, Precincts and Regions began operations from 1 January 2019.

Table 3.4.3: Statement of cash flows

(\$ million)

	2018-19 actual ^(a)	2019-20 budget	2019-20 actual	2020-21 budget
Cash flows from operating activities				
Receipts				
Receipts from Government	894	1 900	3 057	6 318
Receipts from other entities	89	154	277	137
Interest received	8	12	12	9
Other receipts	14	27	94	29
Total receipts	1 005	2 093	3 440	6 494
Payments				
Payments of grants and other transfers	(539)	(1 027)	(1 844)	(5 015)
Payments to suppliers and employees	(305)	(959)	(1 417)	(1 359)
Capital asset charge	(79)	(167)	(167)	(170)
Interest and other costs of finance paid	(34)	(40)	(36)	(35)
Total payments	(956)	(2 193)	(3 464)	(6 579)
Net cash flows from/(used in) operating activities	49	(101)	(24)	(85)
Cash flows from investing activities				
Net investment	33	2	10	..
Payments for non-financial assets	(67)	(160)	(113)	(120)
Proceeds from sale of non-financial assets	3	..	3	..
Net loans to other parties	(10)	1	19	2
Net cash flow from/(used in) investing activities	(41)	(158)	(82)	(119)
Cash flows from financing activities				
Owner contributions by State Government	697	104	(22)	75
Repayment of leases and service concession liabilities	(16)	(10)	(14)	(10)
Net borrowings	(21)	(15)	42	(1)
Net cash flows from/(used in) financing activities	660	79	5	64
Net increase/(decrease) in cash and cash equivalents	667	(179)	(100)	(140)
Cash and cash equivalents at the beginning of the financial year	..	667	667	567
Cash and cash equivalents at the end of the financial year	667	488	567	428

Sources: Departments of Jobs, Precincts and Regions, and Treasury and Finance

Note:

(a) The Department of Jobs, Precincts and Regions began operations from 1 January 2019.

Table 3.4.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2018					
Comprehensive result	(21)	..	255	8	242
Transactions with owners in their capacity as owners	(316)	2 996	5 378	508	8 565
Closing balance 30 June 2019 (actual) ^(a)	(337)	2 996	5 633	516	8 807
Impact of prior period adjustments	..	(1)	..	..	(1)
Restated Opening Balance 1 July 2019	(337)	2 995	5 633	516	8 807
Comprehensive result	(148)	..	(1)	2	(147)
Transactions with owners in their capacity as owners	..	104	..	..	104
Closing balance 30 June 2020 (budget)	(486)	3 099	5 632	518	8 764
Comprehensive result	(68)	..	31	11	(26)
Transactions with owners in their capacity as owners	..	(23)	..	..	(23)
Closing balance 30 June 2020 (actual)	(405)	2 972	5 664	527	8 758
Impact of prior period adjustments	(5)	(22)	..	..	(27)
Restated Opening Balance 1 July 2020	(410)	2 950	5 664	527	8 731
Comprehensive result	(153)	..	(1)	3	(151)
Transactions with owners in their capacity as owners	..	67	..	..	67
Closing balance 30 June 2021 (budget)	(563)	3 017	5 663	530	8 647

Sources: Departments of Jobs, Precincts and Regions, and Treasury and Finance

Note:

(a) The Department of Jobs, Precincts and Regions began operations from 1 January 2019.

Table 3.4.5: Administered items statement

(\$ million)

	2018-19 actual ^(a)	2019-20 budget	2019-20 actual	2020-21 budget
Administered income				
Appropriations – Payments made on behalf of the State	36	75	71	74
Sale of goods and services	56	96	105	104
Grants	..	..	..	303
Interest	8	10	11	10
Other income	60	105	143	143
Total administered income	160	287	329	634
Administered expenses				
Expenses on behalf of the State	9	21	16	19
Grants and other transfers	3	6	6	309
Payments into the Consolidated Fund	69	210	268	260
Interest expense	20	39	39	38
Total administered expenses	101	276	329	626
Income less expenses	59	11	..	9
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	..	..	17	..
Net gain/(loss) on financial instruments and statutory receivables/payables	..	..	..	..
Total other economic flows included in net result	..	..	17	..
Net result	59	11	17	8
Total other economic flows – other comprehensive income				
Comprehensive result	59	11	17	8
Administered assets				
Cash and deposits	..	..	6	7
Receivables	480	479	483	478
Other financial assets	..	..	..	..
Investments accounted for using the equity method	11	11	11	11
Property, plant and equipment	..	..	..	..
Total administered assets	491	490	500	495
Administered liabilities				
Payables	82	80	78	76
Borrowings	438	428	428	417
Total administered liabilities	520	508	506	493
Net assets	(29)	(18)	(6)	2

Sources: Departments of Jobs, Precincts and Regions, and Treasury and Finance

Note:

(a) The Department of Jobs, Precincts and Regions began operations from 1 January 2019.

Table 3.4.6: Payments made on behalf of the State

(\$ million)

	<i>2019-20 budget</i>	<i>2019-20 actual</i>	<i>2020-21 budget</i>
Grants and other transfers	6	6	6
Lease payments	48	48	50
Others	21	16	19
Total	75	71	74

Sources: Departments of Jobs, Precincts and Regions, and Treasury and Finance

DEPARTMENT OF JUSTICE AND COMMUNITY SAFETY

Operating performance

The Department of Justice and Community Safety is expected to report an operating deficit of \$8 million in 2020-21, compared with an operating surplus of \$10 million for the 2019-20 actuals.

The deficit is primarily attributable to expenditure relating to the Information Technology Strategy program which was funded via accessing accumulated prior years' surpluses.

The operating statement shows an increase in operating income of \$395 million between the 2019-20 actuals and the 2020-21 budget. This is primarily due to funding growth associated with previous budget initiatives including the Community Safety Statement and the impact of the Victoria Police Enterprise Bargaining Agreement 2019. The year-on-year increase includes funding of the following initiatives announced in the *2020-21 Budget*:

- Addressing coronavirus (COVID-19) related delays across the justice system;
- Bushfire Recovery Victoria;
- Bushfire Recovery Victoria: Bushfire recovery program; and
- Fire Services Reform implementation.

The increase in operating income is also a result of the machinery of government transfers from the Department of Premier and Cabinet, including:

- Full year impact of the transfer of the integrity entities including the Office of Victorian Information Commissioner, the Office of the Public Interest Monitor and the Local Government Inspectorate (effective 1 May 2020); and
- the transfer of Bushfire Recovery Victoria (effective 1 July 2020).

Operating expenses are expected to increase by \$413 million in 2020-21, primarily driven by the factors outlined above.

Balance sheet

The Department's net assets position is estimated to increase by \$1.3 billion in 2020-21, compared with the 2019-20 actuals, reflecting an increase in total assets of \$2.4 billion and an increase in total liabilities of \$1.1 billion.

The increase in total assets reflects the Government's continued investment in additional beds across the corrections system and the recognition of right-of-use assets for Victoria Police's lease agreement relating to the 311 Spencer Street Complex in accordance with the Australian Accounting Standard AASB 16 *Leases*. The lease agreement relating to the 311 Spencer Street Complex also drives the increase in total liabilities.

Investing and financing

The Department is anticipating an increase of \$2 million in its net cash position in 2020-21, compared with the 2019-20 actuals.

Cash flows from investing activities primarily reflect payments for non-financial assets for the Government's continued asset investments across the prison systems and youth justice custodial services, and new asset projects funded in the *2020-21 Budget* including:

- Emergency Services Telecommunications Authority and updated call taking and dispatch system;
- New Police stations at Narre Warren and Clyde North; and
- New Youth Justice Facility.

Administered items statement

The Department is responsible for administering revenue on behalf of the State in 2020-21 including a range of fines and regulatory fees, lottery and gaming license taxation, as well as managing funds to assist the State's recovery from natural disasters in accordance with the Commonwealth-State Natural Disaster Arrangements.

Total administered income of the Department is expected to decrease by \$150 million in 2020-21, compared with the 2019-20 actuals. This is primarily driven by the receipt of funds mainly for the Bushfire Community Recovery Package and Clean-up Program in 2019-20. This is partially offset by higher expected payments to third parties under the National Redress scheme to support victims experiencing institutional child sexual abuse in 2020-21.

Total administered expenses of the Department are expected to decrease by \$203 million, broadly in line with the anticipated decrease in administered income.

Table 3.5.1: Comprehensive operating statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	7 571	7 734	8 330	8 768
Special appropriations	3	3	4	8
Interest	54	56	37	25
Sale of goods and services	23	18	28	21
Grants	84	106	95	79
Fair value of assets and services received free of charge or for nominal consideration	21	..	6	..
Other income	58	33	51	44
Total income from transactions	7 814	7 950	8 551	8 946
Expenses from transactions				
Employee benefits	3 721	3 752	4 080	4 004
Depreciation	273	465	391	448
Interest expense	66	183	82	151
Grants and other transfers	1 468	1 384	1 741	1 764
Capital asset charge	290	315	321	425
Other operating expenses	1 927	1 857	1 925	2 161
Total expenses from transactions	7 746	7 957	8 541	8 954
Net result from transactions (net operating balance)	68	(7)	10	(8)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(9)	11	15	13
Net gain/(loss) on financial instruments and statutory receivables/payables	(64)	..	(14)	..
Other gains/(losses) from economic flows	(33)	..	(16)	..
Total other economic flows included in net result	(107)	11	(15)	13
Net result	(39)	3	(6)	5
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	113	..	307	..
Other	..	..	7	..
Total other economic flows – other comprehensive income	113	..	314	..
Comprehensive result	74	3	308	5

Sources: Departments of Justice and Community Safety, and Treasury and Finance

Table 3.5.2: Balance sheet

(\$ million)

	2019 actual	2020 budget	2020 actual	2021 budget
Assets				
Financial assets				
Cash and deposits	313	302	312	314
Receivables from government	1 065	1 356	1 335	1 601
Other receivables	111	111	111	167
Other financial assets	227	238	229	229
Total financial assets	1 716	2 008	1 987	2 311
Non-financial assets				
Inventories	16	16	23	23
Non-financial assets classified as held for sale including disposal group assets	2	2	3	3
Property, plant and equipment	5 700	7 514	6 915	8 959
Intangible assets	160	141	195	194
Other	58	58	72	72
Total non-financial assets	5 937	7 733	7 207	9 251
Total assets	7 652	9 741	9 194	11 562
Liabilities				
Payables	534	540	686	734
Borrowings	783	1 942	1 525	2 555
Provisions	970	1 012	1 106	1 140
Total liabilities	2 287	3 494	3 316	4 429
Net assets	5 365	6 247	5 878	7 132
Equity				
Accumulated surplus/(deficit)	1 209	1 212	1 215	1 208
Reserves	1 507	1 507	1 808	1 808
Contributed capital	2 649	3 527	2 855	4 117
Total equity	5 365	6 247	5 878	7 132

Sources: Departments of Justice and Community Safety, and Treasury and Finance

Table 3.5.3: Statement of cash flows

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Cash flows from operating activities				
Receipts				
Receipts from Government	7 522	7 449	8 065	8 494
Receipts from other entities	102	121	140	96
Interest received	46	55	49	25
Other receipts	51	34	52	37
Total receipts	7 720	7 659	8 306	8 651
Payments				
Payments of grants and other transfers	(1 469)	(1 385)	(1 742)	(1 757)
Payments to suppliers and employees	(5 535)	(5 562)	(5 790)	(6 129)
Capital asset charge	(290)	(315)	(321)	(425)
Interest and other costs of finance paid	(66)	(182)	(82)	(151)
Total payments	(7 359)	(7 445)	(7 935)	(8 463)
Net cash flows from/(used in) operating activities	361	214	370	189
Cash flows from investing activities				
Net investment	27	(11)	(16)	..
Payments for non-financial assets	(613)	(1 013)	(512)	(1 402)
Proceeds from sale of non-financial assets	27	34	32	41
Net cash flow from/(used in) investing activities	(560)	(990)	(496)	(1 361)
Cash flows from financing activities				
Owner contributions by State Government	285	878	213	1 270
Repayment of leases and service concession liabilities	(15)	(112)	(95)	(95)
Net borrowings	..	..	8	..
Net cash flows from/(used in) financing activities	270	766	125	1 174
Net increase/(decrease) in cash and cash equivalents	71	(10)	(1)	2
Cash and cash equivalents at the beginning of the financial year	242	313	313	312
Cash and cash equivalents at the end of the financial year	313	302	312	314

Sources: Departments of Justice and Community Safety, and Treasury and Finance

Table 3.5.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2018	1 249	2 366	1 393	..	5 008
Comprehensive result	(40)	..	114	..	74
Transactions with owners in their capacity as owners	..	283	..	..	283
Closing balance 30 June 2019 (actual)	1 209	2 649	1 507	..	5 365
Impact of prior period adjustments	(1)	..	..	..	(1)
Restated Opening Balance 1 July 2019	1 207	2 649	1 507	..	5 364
Comprehensive result	3	..	..	..	3
Transactions with owners in their capacity as owners	2	878	..	..	879
Closing balance 30 June 2020 (budget)	1 212	3 527	1 507	..	6 247
Comprehensive result	8	..	308	(8)	308
Transactions with owners in their capacity as owners	..	206	..	..	206
Closing balance 30 June 2020 (actual)	1 215	2 855	1 815	(8)	5 878
Impact of prior period adjustments	(13)	(14)	..	..	(27)
Restated Opening Balance 1 July 2020	1 202	2 841	1 815	(8)	5 851
Comprehensive result	5	..	..	..	5
Transactions with owners in their capacity as owners	..	1 276	..	..	1 276
Closing balance 30 June 2021 (budget)	1 208	4 117	1 815	(8)	7 132

Sources: Departments of Justice and Community Safety, and Treasury and Finance

Table 3.5.5: Administered items statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Administered income				
Appropriations – payments made on behalf of the State	36	36	267	158
Special appropriations	30	82	37	106
Sale of goods and services	387	492	450	516
Grants	4	4	4	4
Interest	10	13	7	13
Other income	2 519	2 637	2 225	2 042
Total administered income	2 987	3 263	2 990	2 840
Administered expenses				
Expenses on behalf of the State	60	10	63	11
Grants and other transfers	6	77	238	202
Employee benefits	5	4	4	4
Payments into the Consolidated Fund	2 570	2 617	2 247	2 133
Total administered expenses	2 640	2 707	2 552	2 349
Income less expenses	346	556	438	491
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(3)	1	..	1
Net gain/(loss) on financial instruments and statutory receivables/payables	(293)	(312)	(501)	(275)
Total other economic flows included in net result	(296)	(311)	(501)	(274)
Net result	51	245	(63)	216
Other economic flows – other comprehensive income				
Asset revaluation reserve	(6)	..	..	..
Total other economic flows – other comprehensive income	(6)	..	..	..
Comprehensive result	45	245	(63)	216
Administered assets				
Cash and deposits	117	117	311	309
Receivables	529	1 777	317	373
Other financial assets	..	2	..	2
Total administered assets	647	1 896	628	684
Administered liabilities				
Payables	1 199	1 039	897	737
Provisions	1	1	127	127
Total administered liabilities	1 200	1 040	1 024	864
Net assets	(553)	856	(396)	(180)

Sources: Departments of Justice and Community Safety, and Treasury and Finance

Table 3.5.6: Payments made on behalf of the State

(\$ million)

	<i>2019-20 budget</i>	<i>2019-20 actual</i>	<i>2020-21 budget</i>
Tattersalls duty payments to other jurisdictions	36	39	45
Natural disaster relief	..	228	113
Total	36	267	158

Sources: Departments of Justice and Community Safety, and Treasury and Finance

DEPARTMENT OF PREMIER AND CABINET

Operating performance

The Department of Premier and Cabinet is expected to report a balanced operating result in 2020-21, compared with an operating surplus of \$5 million reported in the 2019-20 financial year.

The operating statement shows an increase in operating income of \$13 million between the 2019-20 actuals and the 2020-21 budget. This increase is primarily due to additional special appropriation funding provided for the 2020 local council elections.

The year-on-year increase also includes funding provided for the following initiatives announced in the *2020-21 Budget*:

- Cyber Safe Victoria;
- Delivering Treaty for Victoria;
- Digital Victoria; and
- Economic Recovery Support for Victoria's Multicultural Communities and Young People.

Operating expenses are also expected to increase by \$17 million in 2020-21, primarily driven by the factors outlined above.

Balance sheet

The Department's net assets position is estimated to increase by \$98 million in 2020-21, compared with the 2019-20 actuals, reflecting an increase in total assets of \$64 million and a decrease in total liabilities of \$35 million.

The increase in total assets primarily reflects the inclusion of Cenitex into the Department's portfolio following the machinery of government change from 1 August 2020. The decrease in total liabilities primarily reflects the repayment of a temporary advance given to the Department to manage the reimbursement of expenditure related to bushfire recovery activities.

Investing and financing

The increase in cashflows from investing activities during 2020-21 primarily reflect investment by Cenitex and the Department's capital projects funded in the *2020-21 Budget* including Service Victoria.

Administered items statement

The Department is responsible for administering revenue on behalf of the State including cost recovery activities by the Victorian Electoral Commission.

The total administered income of the Department is expected to increase by \$19 million in 2020-21, compared with the 2019-20 actuals. This is primarily driven by the costs expected to be recovered by the Victorian Electoral Commission following the 2020 local council elections.

Total administered expenses of the Department are expected to increase by \$17 million, primarily due to payment of the Victorian Electoral Commission revenue into the Consolidated Fund.

Table 3.6.1: Comprehensive operating statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget ^(a)
Net result from continuing operations				
Income from transactions				
Output appropriations	625	610	688	663
Special appropriations	91	45	38	83
Sale of goods and services	6	5	71	145
Grants	31	5	82	4
Other income	10	1	4	2
Total income from transactions	762	666	884	897
Expenses from transactions				
Employee benefits	330	287	339	329
Depreciation	20	43	33	41
Grants and other transfers	173	118	231	188
Capital asset charge	10	12	11	11
Other operating expenses	224	212	265	327
Total expenses from transactions	757	671	880	897
Net result from transactions (net operating balance)	5	(5)	5	..
Other economic flows included in net result				
Other gains/(losses) from economic flows	(2)	..	(1)	..
Total other economic flows included in net result	(2)	..	(1)	..
Net result	3	(5)	3	..
Other economic flows – other comprehensive income				
Other	..	..	(13)	..
Total other economic flows – other comprehensive income	..	..	(13)	..
Comprehensive result	3	(5)	(10)	..

Sources: Departments of Premier and Cabinet, and Treasury and Finance

Note:

(a) The 2020-21 budget reflects the impact of the machinery of government changes.

Table 3.6.2: Balance sheet

(\$ million)

	2019 actual	2020 budget	2020 actual	2021 budget ^(a)
Assets				
Financial assets				
Cash and deposits	81	77	85	118
Receivables from government	89	107	79	94
Other receivables	41	41	147	68
Total financial assets	211	225	312	279
Non-financial assets				
Inventories	3	3	4	4
Property, plant and equipment	658	741	656	720
Intangible assets	48	43	54	64
Other	16	16	15	37
Total non-financial assets	724	803	729	825
Total assets	935	1 027	1 040	1 104
Liabilities				
Payables	60	60	134	44
Borrowings	5	97	6	40
Provisions	61	60	111	132
Total liabilities	127	218	251	216
Net assets	808	810	790	888
Equity				
Accumulated surplus/(deficit)	136	131	126	70
Reserves	362	362	362	362
Contributed capital	310	317	302	456
Total equity	808	810	790	888

Sources: Departments of Premier and Cabinet, and Treasury and Finance

Note:

(a) The 2020-21 budget reflects the impact of the machinery of government changes.

Table 3.6.3: Statement of cash flows

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget ^(a)
Cash flows from operating activities				
Receipts				
Receipts from Government	737	636	736	728
Receipts from other entities	5	7	82	55
Other receipts	7	5	7	145
Total receipts	749	648	825	928
Payments				
Payments of grants and other transfers	(173)	(118)	(231)	(188)
Payments to suppliers and employees	(532)	(500)	(554)	(659)
Capital asset charge	(10)	(12)	(11)	(11)
Total payments	(714)	(629)	(796)	(859)
Net cash flows from/(used in) operating activities	34	19	28	69
Cash flows from investing activities				
Net investment	..	..	(26)	..
Payments for non-financial assets	(39)	(14)	(32)	(33)
Proceeds from sale of non-financial assets	2	..	1	..
Net cash flows from/(used in) operating activities	(37)	(14)	(57)	(33)
Cash flows from financing activities				
Owner contributions by State Government	6	7	(20)	64
Repayment of leases and service concession liabilities	..	(16)	(6)	(10)
Net borrowings	..	..	59	(58)
Net cash flows from/(used in) financing activities	6	(9)	33	(4)
Net increase/(decrease) in cash and cash equivalents	3	(4)	4	33
Cash and cash equivalents at the beginning of the financial year	78	81	81	85
Cash and cash equivalents at the end of the financial year	81	77	85	118

Sources: Departments of Premier and Cabinet, and Treasury and Finance

Note:

(a) The 2020-21 budget reflects the impact of the machinery of government changes.

Table 3.6.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2018	133	310	362	..	805
Comprehensive result	3	..	..	..	3
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2019 (actual)	136	310	362	..	808
Comprehensive result	(5)	..	..	..	(5)
Transactions with owners in their capacity as owners	..	7	..	..	7
Closing balance 30 June 2020 (budget)	131	317	362	..	810
Comprehensive result	(10)	..	..	..	(10)
Transactions with owners in their capacity as owners	..	(9)	..	..	(9)
Closing balance 30 June 2020 (actual)	126	302	362	..	790
Impact of prior transactions	..	(1)	..	..	(1)
Restated Opening Balance 1 July 2020	126	301	362	..	789
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	(56)	155	..	..	99
Closing balance 30 June 2021 (budget) ^(a)	70	456	362	..	888

Sources: Departments of Premier and Cabinet, and Treasury and Finance

Note:

(a) The 2020-21 budget reflects the impact of the machinery of government changes.

Table 3.6.5: Administered items statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget ^(a)
Administered income				
Appropriations – payments made on behalf of the State	18	..	..	..
Special Appropriations	11	..	12	13
Sale of goods and services	4	1	2	34
Grants	..	..	12	..
Other income	..	..	2	..
Total administered income	33	1	28	47
Administered expenses				
Expenses on behalf of the State	16	..	6	..
Grants and other transfers	..	..	..	6
Payments into the Consolidated Fund	5	1	16	34
Total administered expenses	22	1	23	40
Net result	12	..	6	6
Comprehensive result	12	..	5	6
Administered assets				
Receivables	14	14	19	26
Total administered assets	14	14	19	26
Administered liabilities				
Payables	1	1	1	1
Total administered liabilities	1	1	1	1
Net assets	13	13	18	24

Sources: Departments of Premier and Cabinet, and Treasury and Finance

Note:

(a) The 2020-21 budget reflects the impact of the machinery of government changes.

DEPARTMENT OF TRANSPORT

Operating performance

The Department of Transport is expected to report an operating deficit of \$288 million in 2020-21, compared with an operating deficit of \$377 million for the 2019-20 actuals. The deficits are primarily attributable to the impacts of depreciation relating to the roads capital program.

The operating statement shows an increase in operating income of \$834 million between the 2019-20 actuals and the 2020-21 budget. The year-on-year increase includes funding of the following initiatives announced in the *2020-21 Budget*:

- Public transport coronavirus (COVID-19) response;
- Regional rail sustainability; and
- Road maintenance blitz.

Operating expenses are expected to increase by \$745 million in 2020-21, primarily driven by expenditure associated with the initiatives outlined above.

Balance sheet

The Department's net assets position is estimated to increase by \$4.4 billion in 2020-21, compared with the 2019-20 actuals, reflecting an increase in investment in the transport capital program mainly related to the Government's Big Build program which includes:

- North East Link;
- Suburban Roads Upgrade – Western Roads Upgrade; and
- West Gate Tunnel.

Investing and finance

The Department is anticipating a decrease of \$95 million in its net cash position in 2020-21 compared with the 2019-20 actuals, mainly due to the investment in the roads capital program.

Cash flows from investing activities primarily reflect significant investment as part of the Government's infrastructure program, including the following asset projects funded in the *2020-21 Budget*:

- Geelong Fast Rail;
- Great Ocean Road renewal;
- Next Generation Trams;
- Regional rail sustainability;
- Road maintenance blitz; and
- Strengthening our Dairy Supply Chain.

Administered items statement

The Department is responsible for administering revenue on behalf of the State in 2020-21 including collecting road and public transport regulatory fees and fines revenues.

Total administered income of the Department is expected to decrease by \$109 million in 2020-21, compared with the 2019-20 actuals, primarily driven by a reduction of charges relating to motor vehicles taxation.

Total administered expenses of the Department are expected to decrease by \$123 million, in line with the anticipated decrease in administered income paid of revenue into the Consolidated Fund.

Table 3.7.1: Comprehensive operating statement

(\$ million)

	2018-19 actual ^(a)	2019-20 budget	2019-20 actual	2020-21 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	7 522	6 920	7 541	8 378
Special appropriations	127	631	439	532
Interest	14	4	3	3
Sale of goods and services	624	566	319	227
Grants	687	562	467	511
Fair value of assets and services received free of charge or for nominal consideration	316	55	11	..
Other income	444	428	321	283
Total income from transactions	9 733	9 167	9 100	9 934
Expenses from transactions				
Employee benefits	808	504	619	596
Depreciation	977	1 050	1 019	1 066
Interest expense	397	460	358	465
Grants and other transfers	3 660	3 314	3 460	3 591
Capital asset charge	156	78	78	78
Other operating expenses	4 060	3 818	3 943	4 427
Total expenses from transactions	10 058	9 223	9 478	10 223
Net result from transactions (net operating balance)	(325)	(56)	(377)	(288)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	5	..	(594)	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(3)	..	(4)	..
Other gains/(losses) from economic flows	(8)	..	(43)	..
Total other economic flows included in net result	(7)	..	(641)	..
Net result	(331)	(56)	(1 018)	(288)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	(2 791)	3 140	12 085	518
Other	7	1	(25)	1
Total other economic flows – other comprehensive income	(2 784)	3 141	12 060	519
Comprehensive result	(3 115)	3 084	11 041	231

Sources: Departments of Transport, and Treasury and Finance

Note:

(a) Figures for 2018-19 actuals reflect the operations of the former Department of Economic Development, Jobs, Transport and Resources which after the machinery of government changes effective from 1 January 2019 was renamed Department of Transport, and the new Department of Jobs, Precincts and Regions created.

Table 3.7.2: Balance sheet

(\$ million)

	2019 actual ^(a)	2020 budget	2020 actual	2021 budget
Assets				
Financial assets				
Cash and deposits	193	66	664	569
Receivables from government	1 084	1 323	1 252	1 501
Other receivables	441	300	488	553
Total financial assets	1 718	1 690	2 404	2 624
Non-financial assets				
Inventories	8	8	8	8
Non-financial assets classified as held for sale including disposal group assets	155	155	145	145
Property, plant and equipment	73 284	80 700	87 897	92 838
Intangible assets	94	72	89	87
Other	70	70	350	350
Total non-financial assets	73 611	81 005	88 489	93 429
Total assets	75 329	82 695	90 893	96 052
Liabilities				
Payables	7 988	8 149	8 905	9 115
Borrowings	4 469	5 965	5 580	6 133
Provisions	744	773	956	986
Total liabilities	13 201	14 887	15 440	16 233
Net assets	62 128	67 808	75 453	79 819
Equity				
Accumulated surplus/(deficit)	18 405	18 934	(2 204)	(2 492)
Reserves	24 196	27 335	12 604	13 122
Contributed capital	19 527	21 539	65 053	69 188
Total equity	62 128	67 808	75 453	79 819

Sources: Departments of Transport, and Treasury and Finance

Note:

(a) Figures for 2018-19 actuals reflect the operations of the former Department of Economic Development, Jobs, Transport and Resources which after the machinery of government changes effective from 1 January 2019 was renamed Department of Transport, and the new Department of Jobs, Precincts and Regions created.

Table 3.7.3: Statement of cash flows

(\$ million)

	2018-19 actual ^(a)	2019-20 budget	2019-20 actual	2020-21 budget
Cash flows from operating activities				
Receipts				
Receipts from Government	7 499	7 125	7 812	8 641
Receipts from other entities	1 359	1 174	820	739
Interest received	14	4	3	3
Other receipts	238	120	52	63
Total receipts	9 111	8 423	8 686	9 447
Payments				
Payments of grants and other transfers	(3 688)	(3 314)	(3 540)	(3 591)
Payments to suppliers and employees	(4 561)	(4 275)	(4 534)	(5 026)
Capital asset charge	(156)	(78)	(78)	(78)
Interest and other costs of finance paid	(152)	(21)	(135)	(167)
Total payments	(8 558)	(7 688)	(8 287)	(8 862)
Net cash flows from/(used in) operating activities	553	734	400	584
Cash flows from investing activities				
Net investment	8	..	..	..
Payments for non-financial assets	(5 554)	(6 824)	(5 930)	(7 252)
Proceeds from sale of non-financial assets	4	..	3	..
Net loans to other parties	4	137	(25)	(69)
Net cash flow from/(used in) investing activities	(5 538)	(6 687)	(5 952)	(7 321)
Cash flows from financing activities				
Owner contributions by State Government	4 132	5 642	6 311	7 798
Repayment of leases and service concession liabilities	(272)	(93)	(639)	(1 206)
Net borrowings	(241)	277	351	50
Net cash flows from/(used in) financing activities	3 620	5 826	6 023	6 642
Net increase/(decrease) in cash and cash equivalents	(1 365)	(127)	471	(95)
Cash and cash equivalents at the beginning of the financial year	1 558	193	193	664
Cash and cash equivalents at the end of the financial year	193	66	664	569

Sources: Departments of Transport, and Treasury and Finance

Note:

(a) Figures for 2018-19 actuals reflect the operations of the former Department of Economic Development, Jobs, Transport and Resources which after the machinery of government changes effective from 1 January 2019 was renamed Department of Transport, and the new Department of Jobs, Precincts and Regions created.

Table 3.7.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2018	18 238	21 015	26 987	491	66 731
Comprehensive result	167	..	(2 791)	(491)	(3 115)
Transactions with owners in their capacity as owners	..	(1 488)	..	..	(1 488)
Closing balance 30 June 2019 (actual)^(a)	18 405	19 527	24 196	..	62 128
Impacts of prior period adjustments	(118)	..	(1)	..	(119)
Restated Opening Balance 1 July 2019	18 287	19 527	24 195	..	62 009
Comprehensive result	(56)	..	3 140	..	3 084
Transactions with owners in their capacity as owners	703	2 012	..	..	2 714
Closing balance 30 June 2020 (budget)	18 934	21 539	27 335	..	67 808
Comprehensive result	(1 043)	..	12 085	..	11 041
Transactions with owners in their capacity as owners	(19 448)	45 525	(23 675)	..	2 403
Closing balance 30 June 2020 (actual)	(2 204)	65 053	12 604	..	75 453
Comprehensive result	(288)	..	518	..	231
Transactions with owners in their capacity as owners	..	4 136	..	..	4 136
Closing balance 30 June 2021 (budget)	(2 492)	69 188	13 122	..	79 819

Sources: Departments of Transport, and Treasury and Finance

Note:

(a) Figures for 2018-19 actuals reflect the operations of the former Department of Economic Development, Jobs, Transport and Resources which after the machinery of government changes effective from 1 January 2019 was renamed Department of Transport, and the new Department of Jobs, Precincts and Regions created.

Table 3.7.5: Administered items statement

(\$ million)

	2018-19 actual ^(a)	2019-20 budget	2019-20 actual	2020-21 budget
Administered income				
Appropriations – Payments made on behalf of the State	35	..	..	..
Sale of goods and services	202	166	276	385
Grants	..	..	33	1
Interest	3	..	..	1
Other income	2 670	2 644	2 800	2 614
Total administered income	2 909	2 810	3 109	3 000
Administered expenses				
Expenses on behalf of the State	271	..	1	..
Grants and other transfers	3	..	..	..
Payments into the Consolidated Fund	2 966	2 794	3 098	2 976
Interest expense	20	..	..	..
Total administered expenses	3 260	2 794	3 099	2 976
Income less expenses	(351)	16	10	24
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(8)	10	(1)	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(11)	(16)	(5)	(16)
Total other economic flows included in net result	(19)	(7)	(6)	(16)
Net result	(370)	10	4	8
Total other economic flows – other comprehensive income				
Comprehensive result	(370)	10	4	8
Administered assets				
Cash and deposits	14	14	16	16
Receivables	18	18	22	30
Total administered assets	33	33	38	46
Administered liabilities				
Payables	15	15	16	16
Total administered liabilities	15	15	16	16
Net assets	18	18	22	30

Sources: Departments of Transport, and Treasury and Finance

Note:

(a) Figures for 2018-19 actuals reflect the operations of the former Department of Economic Development, Jobs, Transport and Resources which after the machinery of government changes effective from 1 January 2019 was renamed Department of Transport, and the new Department of Jobs, Precincts and Regions created.

DEPARTMENT OF TREASURY AND FINANCE

Operating performance

The Department of Treasury and Finance is expected to report an operating surplus of \$41 million in 2020-21 compared to an operating deficit of \$5 million for the 2019-20 actuals.

The surplus is primarily attributable to \$40 million in output revenue to repay an advance for expenditure incurred in 2019-20 relating to Centralised Accommodation Management.

The operating statement shows an increase in operating income of \$36 million between the 2019-20 actuals and the 2020-21 budget. The year-on-year increase includes additional output appropriation for the following key initiatives in the *2020-21 Budget*:

- Centralised Accommodation Management;
- Economic Survival Package: Implementation;
- Investment attraction package;
- Procurement reform;
- Regulatory reform package;
- Supporting coronavirus (COVID-19) recovery through procurement; and
- Victorian digital asset strategy.

The increase in output appropriation also includes the machinery of government transfer of Infrastructure Victoria from the Department of Premier and Cabinet. This is partially offset by a \$172 million decrease in income from sales of goods and services due to the machinery of government transfer of Cenitex to the Department of Premier and Cabinet.

Operating expenses are expected to decrease by \$10 million in 2020-21, primarily driven by the factors outlined above.

Balance sheet

The movements in assets and liabilities in the *2020-21 Budget* compared to the 2019-20 actuals reflect the machinery of government transfer of Cenitex to the Department of Premier and Cabinet.

Investing and financing

The Department is anticipating a decrease of \$35 million in its net cash position in 2020-21 compared to the 2019-20 actuals. The decrease is primarily due to the machinery of government transfer of Cenitex to the Department of Premier and Cabinet.

Cash flows from investing activities in 2020-21 primarily reflect existing and new asset projects, including the expansion of the Greener Government Buildings initiative included as part of the *2020-21 Budget*.

Administered items statement

The Department manages a large number of transactions on behalf of the State over which it does not exercise direct control, including collecting State taxation income and administering the State's superannuation expenses.

Total administered income of the Department is expected to increase by \$11.1 billion in 2020-21. This is primarily driven by the Advance to Treasurer's appropriation, reflecting existing Government policy decisions for which funding has yet to be allocated to departments; provisions not yet allocated to meet additional price and demand growth for health, disability, justice and education; and a provision for estimated depreciation expense associated with the general government unallocated asset contingency.

Additionally, it also includes unallocated provisions available to contribute to future Government policy decisions and commitments.

Total administered expenses of the Department are expected to decrease by \$12.8 billion in 2020-21, which primarily reflects a decrease in payments into the Consolidated Fund.

Table 3.8.1: Comprehensive operating statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget ^(a)
Net result from continuing operations				
Income from transactions				
Output appropriations	403	494	441	633
Interest	2	1	1	..
Sale of goods and services	189	191	204	32
Grants	5	8	9	17
Other income	38	35	28	37
Total income from transactions	637	729	683	719
Expenses from transactions				
Employee benefits	243	277	272	228
Depreciation	29	50	36	28
Grants and other transfers	51	119	63	142
Capital asset charge	63	63	63	71
Other operating expenses	235	222	254	208
Total expenses from transactions	621	730	688	678
Net result from transactions (net operating balance)	17	(1)	(5)	41
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(1)	(7)	..	(7)
Other gains/(losses) from economic flows	(4)	..	(1)	..
Total other economic flows included in net result	(5)	(7)	(1)	(7)
Net result	11	(8)	(7)	33
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	(3)	..	95	..
Other	..	..	..	47
Total other economic flows – other comprehensive income	(3)	..	95	47
Comprehensive result	8	(8)	88	80

Source: Department of Treasury and Finance

Note:

(a) The 2020-21 budget reflects the impact of the machinery of government changes effective from 1 August 2020.

Table 3.8.2: Balance Sheet

(\$ million)

	2019 actual	2020 budget	2020 actual	2021 budget ^(a)
Assets				
Financial assets				
Cash and deposits	71	58	90	55
Other financial assets	16	16	17	..
Receivables from government	316	309	295	307
Other receivables	35	36	58	2
Total financial assets	438	419	460	365
Non-financial assets				
Inventories	12	12	49	49
Property, plant and equipment	824	884	925	940
Intangible assets	15	19	15	17
Other	33	33	37	4
Total non-financial assets	884	948	1 026	1 011
Total assets	1 322	1 367	1 486	1 375
Liabilities				
Payables	93	93	148	33
Borrowings	5	78	53	6
Provisions	132	111	110	78
Total liabilities	230	283	310	118
Net assets	1 092	1 084	1 176	1 258
Equity				
Accumulated surplus/(deficit)	169	161	162	252
Reserves	557	557	652	652
Contributed capital	365	367	361	354
Total equity	1 092	1 084	1 176	1 258

Source: Department of Treasury and Finance

Note:

(a) The 2020-21 budget reflects the impact of the machinery of government changes effective from 1 August 2020.

Table 3.8.3: Statement of cash flows

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget ^(a)
Cash flows from operating activities				
Receipts				
Receipts from Government	381	501	462	621
Interest received	2	1	1	..
Other receipts	233	239	244	99
Total receipts	617	741	707	720
Payments				
Payments of grants and other transfers	(50)	(150)	(52)	(149)
Payments to suppliers and employees	(462)	(490)	(538)	(433)
Capital asset charge	(63)	(63)	(63)	(71)
Interest and other costs of finance paid	..	(3)	(1)	(2)
Total payments	(576)	(706)	(653)	(656)
Net cash flows from/(used in) operating activities	41	34	54	64
Cash flows from investing activities				
Net investment	(1)	..	..	..
Payments for non-financial assets	(33)	(33)	(36)	(138)
Proceeds from sale of non-financial assets	1	..	2	..
Net cash flow from/(used in) investing activities	(33)	(33)	(35)	(140)
Cash flows from financing activities				
Owner contributions by State Government	..	4	(5)	82
Repayment of leases and service concession liabilities	..	(13)	..	(2)
Net borrowings	4	(5)	6	(40)
Net cash flows from/(used in) financing activities	4	(14)	1	40
Net increase/(decrease) in cash and cash equivalents	12	(13)	20	(35)
Cash and cash equivalents at the beginning of the financial year	59	71	71	90
Cash and cash equivalents at the end of the financial year	71	58	90	55

Source: Department of Treasury and Finance

Note:

(a) The 2020-21 budget reflects the impact of the machinery of government changes effective from 1 August 2020.

Table 3.8.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2018	158	365	560	..	1 083
Comprehensive result	11	..	(3)	..	8
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2019 (actual)	169	365	557	..	1 092
Comprehensive result	(8)	..	..	..	(8)
Transactions with owners in their capacity as owners	..	1	..	..	1
Closing balance 30 June 2020 (budget)	161	367	557	..	1 084
Comprehensive result	(7)	..	95	..	88
Transactions with owners in their capacity as owners	..	(4)	..	..	(4)
Closing balance 30 June 2020 (actual)	162	361	652	..	1 176
Comprehensive result	80	..	..	..	80
Transactions with owners in their capacity as owners	10	(8)	..	..	2
Closing balance 30 June 2021 (budget) ^(a)	252	354	652	..	1 258

Source: Department of Treasury and Finance

Note:

(a) The 2020-21 budget reflects the impact of the machinery of government changes effective from 1 August 2020.

Table 3.8.5: Administered items statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Administered income				
Appropriations – payments made on behalf of the State ^(a)	3 885	7 756	4 731	16 925
Special appropriations	2 841	2 351	2 554	2 742
Sale of goods and services	19	53	292	365
Grants	25 787	26 285	23 565	23 654
Interest	98	110	34	79
Other income	26 294	27 437	26 453	24 979
Total administered income	58 923	63 992	57 630	68 743
Administered expenses				
Expenses on behalf of the State	207	527	596	3 121
Employee benefits	1 217	1 733	1 039	3 055
Grants and other transfers	4 580	4 664	4 868	6 879
Payments into the Consolidated Fund	54 842	54 214	63 342	43 712
Interest expense	1 189	1 292	1 245	1 483
Total administered expenses	62 035	62 430	71 090	58 250
Income less expenses	(3 112)	1 562	(13 460)	10 493
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	26	23	2	23
Other gains/(losses) from other economic flows	110	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(30)	..	(32)	..
Total other economic flows included in net result	106	23	(29)	23
Net result	(3 006)	1 585	(13 489)	10 516
Other economic flows – other comprehensive income				
Remeasurement of superannuation defined benefit plans	(3 371)	1 109	(2 721)	(676)
Financial assets available-for-sale reserve:	3	..	(53)	..
Other	245	..	(29)	..
Total other economic flows – other comprehensive income	(3 123)	1 109	(2 803)	(676)
Comprehensive result	(6 129)	2 694	(16 293)	9 841
Administered assets				
Cash and deposits	2 063	31	237	572
Receivables	5 836	8 657	8 910	47 918
Other financial assets	705	1 114	1 104	1 163
Property, plant and equipment	..	460	1 866	4 654
Total administered assets	8 604	10 261	12 117	54 306
Administered liabilities				
Payables	4 492	1 648	4 141	166
Borrowings	27 754	33 123	47 204	86 889
Provisions	70	70	3	3
Other	28 631	27 550	31 225	31 840
Total administered liabilities	60 948	62 391	82 573	118 897
Net assets	(52 344)	(52 130)	(70 455)	(64 591)

Source: Department of Treasury and Finance

Note:

(a) The 2019-20 budget and 2020-21 budget include Advance to Treasurer Appropriation.

Table 3.8.6: Payments made on behalf of the State**(\$ million)**

	<i>2019-20 budget</i>	<i>2019-20 actual</i>	<i>2020-21 budget</i>
Advance to Treasurer Appropriation ^(a)	2 806	..	11 679
Superannuation and pension payments	16	12	16
Interest	1 276	1 199	1 406
Current and capital grants	532	881	880
Operating supplies and consumables	150	250	161
Other	2 976	2 389	2 782
Total	7 756	4 731	16 925

Source: Department of Treasury and Finance

Note:

(a) Advance to Treasurer Appropriation is not recognised in the 2019-20 actual figures as amounts approved by the Treasurer during the financial year are allocated to departments and recognised in their financial statements. A full breakdown of the allocated Treasurer Advances in 2019-20 can be found in the 2019-20 Financial Report for the State of Victoria.

PARLIAMENT

Operating performance

Parliament, Victorian Auditor-General's Office (VAGO), Victorian Inspectorate, Victorian Ombudsman, Parliamentary Budget Office and Independent Broad-based Anti-corruption Commission consolidated are expected to report a balanced net result from transactions in 2020-21, compared with an operating surplus of \$8 million for the 2019-20 actuals.

The operating statement shows an increase in operating income of \$97 million between the 2019-20 actuals and the 2020-21 budget. This increase primarily due to machinery of government changes involving the Independent Broad-based Anti-corruption Commission, the Ombudsman, and the Victorian Inspectorate transferring from the Department of Justice Community Safety to become independent offices of Parliament. This was effective from 1 July 2020 and accounts for \$68.7 million of the increase in operating budget.

The remaining increase primarily relates to a carryover of Parliament's appropriation funding from 2019-20 actuals to 2020-21 budget, an increase in Members' salaries, allowances and Electorate Offices and Communications budgets in 2020-21 in accordance with the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019* and lower than budgeted expenditure in 2019-20 on Members' parliamentary contributory superannuation fund. The year-on-year increase also includes funding of the following initiatives announced in the *2020-21 Budget*:

- Chamber technology upgrade;
- Charity Meals Program;
- Electorate Office safety and security upgrades;
- Funding for IBAC: Meeting demand and community expectations;
- Funding for Victorian Inspectorate;
- Members of Parliament electorate office and communication budgets;
- Parliament House historic restoration works; and
- Securing a sustainable Ombudsman for Victorians.

Operating expenses are expected to increase similarly by \$105 million in 2020-21 compared with the 2019-20 actuals, primarily driven by the factors outlined above.

Balance sheet

The combined net assets position is estimated to increase by \$37 million in 2020-21, compared with the 2019-20 actuals, reflecting an increase in total assets of \$74 million and an increase in total liabilities of \$36 million.

The increase in total assets reflects the inclusion of the Victorian Inspectorate, Victorian Ombudsman and Independent Broad-based Anti-corruption Commission which are part of Parliament from 1 July 2020, and the continued asset investment announced in the *2020-21 Budget* (see investing and finance section).

Investing and finance

Cash flows from investing activities reflect continued asset investment in the restoration of the Parliament House building, information and communication technology upgrades, relocation and refurbishment of electorate offices, and new asset projects funded in the *2020-21 Budget* including:

- Chamber technology upgrade;
- Electorate Office safety and security upgrades; and
- Parliament House historic restoration works.

Administered items statement

The administered transactions reflect the Victorian Auditor-General's Office's audit fee revenue, which is paid into the Consolidated Fund.

Table 3.9.1: Comprehensive operating statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget ^(a)
Net result from continuing operations				
Income from transactions				
Output appropriations	176	194	190	276
Special appropriations	42	50	44	56
Sale of goods and services	2	..	1	..
Total income from transactions	219	244	235	332
Expenses from transactions				
Employee benefits	131	141	139	204
Depreciation	18	28	29	36
Capital asset charge	7	7	7	8
Other operating expenses	58	68	53	84
Total expenses from transactions	214	244	227	332
Net result from transactions (net operating balance)	5	..	8	..
Other economic flows included in net result				
Other gains/(losses) from economic flows	(1)	..	..	..
Total other economic flows included in net result	(1)	..	..	..
Net result	4	..	8	..
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	23	1	1	..
Other	..	..	(1)	..
Total other economic flows – other comprehensive income	23	1	..	..
Comprehensive result	28	1	8	..

Sources: Parliament, Victorian Auditor-General's Office (VAGO), Victorian Inspectorate, Victorian Ombudsman, Parliamentary Budget Office and Independent Broad-based Anti-corruption Commission, and Department of Treasury and Finance

Note:

(a) The 2020-21 budget incorporates the Victorian Inspectorate, Victorian Ombudsman and Independent Broad-based Anti-corruption Commission which are part of Parliament from 1 July 2020.

Table 3.9.2: Balance sheet

(\$ million)

	2019 actual	2020 budget	2020 actual	2021 budget ^(a)
Assets				
Financial assets				
Cash and deposits	..	..	..	10
Receivables from government	54	72	61	87
Other receivables	1	1	1	3
Total financial assets	56	74	63	101
Non-financial assets				
Property, plant and equipment	735	739	770	803
Other	2	2	1	5
Total non-financial assets	737	741	771	808
Total assets	792	815	834	908
Liabilities				
Payables	12	12	12	21
Borrowings	3	27	34	52
Provisions	23	22	24	33
Total liabilities	39	60	70	106
Net assets	754	755	765	802
Equity				
Accumulated surplus/(deficit)	61	62	69	82
Reserves	507	507	507	507
Contributed capital	187	187	189	213
Total equity	754	755	765	802

Sources: Parliament, Victorian Auditor-General's Office (VAGO), Victorian Inspectorate, Victorian Ombudsman, Parliamentary Budget Office and Independent Broad-based Anti-corruption Commission, and Department of Treasury and Finance

Note:

(a) The 2020-21 budget incorporates the Victorian Inspectorate, Victorian Ombudsman and Independent Broad-based Anti-corruption Commission which are part of Parliament from 1 July 2020.

Table 3.9.3: Statement of cash flows

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget ^(a)
Cash flows from operating activities				
Receipts				
Receipts from Government	217	226	226	330
Receipts from other entities	2	..	1	..
Other receipts	..	..	..	..
Total receipts	219	226	228	330
Payments				
Payments to suppliers and employees	(191)	(210)	(190)	(289)
Capital asset charge	(7)	(7)	(7)	(8)
Total payments	(198)	(217)	(196)	(297)
Net cash flows from/(used in) operating activities	21	9	31	34
Cash flows from investing activities				
Payments for non-financial assets	(24)	(2)	(22)	(30)
Proceeds from sale of non-financial assets	1	..	1	..
Net cash flow from/(used in) investing activities	(22)	(2)	(21)	(30)
Cash flows from financing activities				
Owner contributions by State Government	7	..	2	19
Repayment of leases and service concession liabilities	..	(6)	(12)	(13)
Net borrowings	(5)	..	..	..
Net cash flows from/(used in) financing activities	2	(6)	(10)	6
Net increase/(decrease) in cash and cash equivalents	1	..	..	10
Cash and cash equivalents at the beginning of the financial year	(1)	..	..	..
Cash and cash equivalents at the end of the financial year	..	..	..	10

Sources: Parliament, Victorian Auditor-General's Office (VAGO), Victorian Inspectorate, Victorian Ombudsman, Parliamentary Budget Office and Independent Broad-based Anti-corruption Commission, and Department of Treasury and Finance

Note:

(a) The 2020-21 budget incorporates the Victorian Inspectorate, Victorian Ombudsman and Independent Broad-based Anti-corruption Commission which are part of Parliament from 1 July 2020.

Table 3.9.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2018	56	180	483	..	719
Comprehensive result	4	..	23	..	28
Transactions with owners in their capacity as owners	..	7	..	..	7
Closing balance 30 June 2019 (actual)	61	187	507	..	754
Impact of prior period adjustments	1	..	..	..	1
Restated Opening Balance 1 July 2019	62	187	507	..	755
Comprehensive result	1	..	..	..	1
Transactions with owners in their capacity as owners	(1)	..	..	..	(1)
Closing balance 30 June 2020 (budget)	62	187	507	..	755
Comprehensive result	8	..	..	..	8
Transactions with owners in their capacity as owners	..	2	..	..	2
Closing balance 30 June 2020 (actual)	69	189	507	..	765
Impact of prior period adjustments	13	15	..	..	28
Restated Opening Balance 1 July 2020	82	204	507	..	793
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	9	..	..	9
Closing balance 30 June 2021 (budget) ^(a)	82	213	507	..	802

Sources: Parliament, Victorian Auditor-General's Office (VAGO), Victorian Inspectorate, Victorian Ombudsman, Parliamentary Budget Office and Independent Broad-based Anti-corruption Commission, and Department of Treasury and Finance

Note:

(a) The 2020-21 budget incorporates the Victorian Inspectorate, Victorian Ombudsman and Independent Broad-based Anti-corruption Commission which are part of Parliament from 1 July 2020.

Table 3.9.5: Administered items statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget ^(a)
Administered income				
Sale of goods and services	27	27	28	27
Total administered income	27	27	28	27
Administered expenses				
Payments into the Consolidated Fund	26	27	28	27
Total administered expenses	26	27	28	27
Income less expenses	1	..	(1)	..
Net result	1	..	(1)	..
Other economic flows – other comprehensive income				
Total other economic flows – other comprehensive income				
Comprehensive result	1	..	(1)	..
Administered assets				
Receivables	8	8	7	8
Total administered assets	8	8	7	8
Administered liabilities				
Total administered liabilities				
Net assets	8	8	7	8

Sources: Parliament, Victorian Auditor-General's Office (VAGO), Victorian Inspectorate, Victorian Ombudsman, Parliamentary Budget Office and Independent Broad-based Anti-corruption Commission, and Department of Treasury and Finance

Note:

(a) The 2020-21 budget incorporates the Victorian Inspectorate, Victorian Ombudsman and Independent Broad-based Anti-corruption Commission which are part of Parliament from 1 July 2020.

COURT SERVICES VICTORIA

Operating performance

Court Services Victoria (CSV) is expected to report a balanced net result from transactions in 2020-21.

The operating statement shows an increase in operating income of \$49 million between the 2019-20 actuals and the 2020-21 budget. This is primarily due to growth funding from previous budget initiatives. The year-on-year increase also includes funding of the following initiatives announced in the *2020-21 Budget*:

- Continuing the intermediaries program;
- Court response to coronavirus (COVID-19);
- Implementing Youth Control Orders and Intensive Bail Orders;
- Specialist family violence integrated court response; and
- Victorian Civil and Administrative Tribunal remote hearing services.

Operating expenses are expected to increase by \$54 million in 2020-21, primarily driven by the factors outlined above.

Balance sheet

CSV net assets position is estimated to increase by \$125 million in 2020-21, compared with the 2019-20 actuals, reflecting an increase in total assets of \$107 million and a decrease in total liabilities of \$18 million.

The increase in total assets reflects the Government's continued investment in courts infrastructure.

Investing and financing

CSV is anticipating a balanced net cash position in 2020-21.

Cash flows from investing activities primarily reflect the Government's continued asset investment in existing courts infrastructure and new asset projects funded in the *2020-21 Budget* including:

- Court response to coronavirus (COVID-19);
- New Wyndham Law Court; and
- Victorian Civil and Administrative Tribunal remote hearing services.

Administered items statement

CSV is responsible for administering revenue on behalf of the State in 2020-21 to proceed civil case lodgements and hearings, to award compensation to victims who suffer earnings loss or are reasonably likely to suffer as a direct result of an act of violence, and revenue from court fees for civil case lodgements and hearings.

Total administered income of CSV is expected to increase by \$16 million in 2020-21, compared with the 2019-20 actuals. Total administered expenses of CSV are expected to increase by \$18 million in 2020-21, compared with the 2019-20 actuals.

Table 3.10.1: Comprehensive operating statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	428	472	480	518
Special appropriations	158	178	168	187
Grants	28	17	26	17
Other income	1	..	..	..
Total income from transactions	615	667	674	723
Expenses from transactions				
Employee benefits	343	384	377	412
Depreciation	62	59	74	61
Interest expense	5	9	5	8
Grants and other transfers	7	3	8	3
Capital asset charge	45	46	46	48
Other operating expenses	149	166	160	190
Total expenses from transactions	611	667	669	723
Net result from transactions (net operating balance)	4	..	5	..
Other economic flows included in net result				
Other gains/(losses) from economic flows	(7)	..	(1)	..
Total other economic flows included in net result	(7)	..	(1)	..
Net result	(3)	..	3	..
Changes in non-financial assets revaluation surplus	(50)	..	44	..
Other	3	..	..	..
Total other economic flows – other comprehensive income	(47)	..	44	..
Comprehensive result	(50)	..	47	..

Sources: Court Services Victoria and Department of Treasury and Finance

Table 3.10.2: Balance sheet

(\$ million)

	2019 actual	2020 budget	2020 actual	2021 budget
Assets				
Financial assets				
Cash and deposits	20	20	22	22
Receivables from government	84	113	121	140
Other receivables	16	16	12	12
Total financial assets	120	149	155	174
Non-financial assets				
Property, plant and equipment	981	1 250	1 136	1 205
Intangible assets	25	22	31	51
Other	6	6	7	7
Total non-financial assets	1 012	1 277	1 175	1 263
Total assets	1 131	1 426	1 330	1 437
Liabilities				
Payables	49	49	59	59
Borrowings	55	131	120	103
Provisions	95	95	106	106
Total liabilities	199	275	286	268
Net assets	932	1 152	1 044	1 169
Equity				
Accumulated surplus/(deficit)	(30)	14	(27)	(27)
Reserves	201	304	245	245
Contributed capital	761	833	827	951
Total equity	932	1 152	1 044	1 169

Sources: Court Services Victoria and Department of Treasury and Finance

Table 3.10.3: Statement of cash flows

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Cash flows from operating activities				
Receipts				
Receipts from Government	591	620	611	686
Receipts from other entities	18	17	30	17
Total receipts	609	637	640	703
Payments				
Payments of grants and other transfers	(7)	(3)	(8)	(3)
Payments to suppliers and employees	(484)	(550)	(526)	(602)
Capital asset charge	(45)	(46)	(46)	(48)
Interest and other costs of finance paid	(5)	(9)	(5)	(8)
Total payments	(541)	(607)	(585)	(662)
Net cash flows from/(used in) operating activities	67	30	56	42
Cash flows from investing activities				
Payments for non-financial assets	(66)	(83)	(80)	(147)
Proceeds from sale of non-financial assets	3	..	2	..
Net cash flow from/(used in) investing activities	(63)	(83)	(77)	(147)
Cash flows from financing activities				
Owner contributions by State Government	16	72	56	125
Repayment of leases and service concession liabilities	(13)	(18)	(33)	(19)
Net borrowings	(3)	..	..	..
Net cash flows from/(used in) financing activities	1	54	23	105
Net increase/(decrease) in cash and cash equivalents	5	..	2	..
Cash and cash equivalents at the beginning of the financial year	14	20	20	22
Cash and cash equivalents at the end of the financial year	20	20	22	22

Sources: Court Services Victoria and Department of Treasury and Finance

Table 3.10.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2018	7	748	250	..	1 005
Comprehensive result	..	..	(50)	..	(50)
Transactions with owners in their capacity as owners	(36)	14	1	..	(22)
Closing balance 30 June 2019 (actual)	(30)	761	201	..	932
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	44	72	103	..	219
Closing balance 30 June 2020 (budget)	14	833	304	..	1 152
Comprehensive result	3	..	44	..	47
Transactions with owners in their capacity as owners	(1)	65	..	..	64
Closing balance 30 June 2020 (actual)	(27)	827	245	..	1 044
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	125	..	..	125
Closing balance 30 June 2021 (budget)	(27)	951	245	..	1 169

Sources: Court Services Victoria and Department of Treasury and Finance

Table 3.10.5: Administered items statement

(\$ million)

	2018-19 actual	2019-20 budget	2019-20 actual	2020-21 budget
Administered income				
Special appropriations	46	43	45	44
Sale of goods and services	65	69	63	65
Other income	4	21	6	21
Total administered income	116	133	114	130
Administered expenses				
Expenses on behalf of the State	13	10	13	10
Grants and other transfers	34	33	32	34
Payments into the Consolidated Fund	71	90	67	86
Total administered expenses	118	133	112	130
Income less expenses	(3)	..	1	..
Net gain/(loss) on financial instruments and statutory receivables/payables	2	..	(1)	..
Total other economic flows included in net result	2	..	(1)	..
Net result				
Comprehensive result				
Administered assets				
Cash and deposits	9	9	9	9
Receivables	2	2	1	1
Total administered assets	11	11	10	10
Administered liabilities				
Payables	10	10	9	9
Provisions	4	4	2	2
Total administered liabilities	13	13	11	11
Net assets	(2)	(2)	(1)	(1)

Sources: Court Services Victoria and Department of Treasury and Finance

CHAPTER 4 – STATE REVENUE

This chapter outlines expected movements in the major categories of general government revenue between 2019-20 and 2023-24. The revenue forecasts take into account developments in key macroeconomic variables reflecting the outlook for global, national and Victorian economic conditions as outlined in Budget Paper No. 2, Chapter 2 *Economic Outlook*.

State revenue was heavily affected in 2019-20 by the impact of the coronavirus (COVID-19) pandemic on the Victorian economy. While public health restrictions are starting to unwind and consumer confidence is recovering, their impact on revenue is expected to persist for some time, reflecting significant and long-lasting disruptions to economic conditions, the labour market, inflation and the property market. An improvement in State revenue is expected over the forward estimates supported by a recovery in the Victorian economy, although some revenue streams may take several years to return to pre-coronavirus (COVID-19) pandemic levels. Additionally, the Government has provided a significant amount of stimulus in response to the coronavirus (COVID-19) pandemic, including initiatives that will reduce the Government's own-source revenue.

Total revenue is expected to decrease by 1.9 per cent from the 2019-20 result, to \$66.7 billion in 2020-21 (Table 4.1), driven largely by a reduction in taxation revenue. Taxation revenue is expected to recover from 2021-22, along with goods and services tax (GST) grants and most other key revenue streams, supported by an expected improvement in the Victorian economy. Total revenue is expected to grow by an annual average of 3.2 per cent between 2018-19 and 2023-24, and 6.9 per cent over the forward estimates.

Table 4.1: General government sector revenue	(\$ million)				
	<i>2019-20 actual</i>	<i>2020-21 budget</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>	<i>2023-24 estimate</i>
Taxation revenue	23 167	20 928	23 700	26 021	27 565
Interest income	619	637	619	609	605
Dividends, income tax equivalent and rate equivalent income	810	534	494	534	606
Sales of goods and services	7 902	8 433	9 043	9 325	9 448
Grants	32 789	33 483	34 591	38 210	40 059
Other revenue	2 662	2 673	2 869	3 048	3 165
Total revenue from transactions	67 948	66 687	71 315	77 747	81 448

Source: Department of Treasury and Finance

GST revenue is expected to decline by 0.7 per cent in 2020-21 after falling by 8.1 per cent in 2019-20, reflecting ongoing weakness in national consumption and dwelling investment. Additionally, the revised redistribution methodology determined by the Commonwealth Grant Commission's (CGC) 2020 Review has led to a significant reduction in Victoria's share of the GST pool over the budget and forward estimates – the largest redistribution away from any state since the introduction of the GST.

Given the unprecedented nature of the coronavirus (COVID-19) pandemic, the revenue forecasts are subject to a much higher degree of uncertainty than usual. As outlined in Budget Paper No. 2, Chapter 2 *Economic Outlook*, a key forecast assumption is a continued easing of public health restrictions towards COVID Normal by the end of 2020 supporting a recovery in economic activity.

TAXATION

Taxation revenue declined in 2019-20 and is forecast to decrease by a further 9.7 per cent in 2020-21 compared with the 2019-20 result to \$20.9 billion. From this reduced level, it is expected to recover from 2021-22 with an average annual rate of growth of 9.6 per cent over the forward estimates. From the pre-coronavirus (COVID-19) level in 2018-19, taxation revenue is expected to increase by an annual average rate of 3.2 per cent over the five years to 2023-24.

Property market conditions have been significantly affected since the onset of the coronavirus (COVID-19) pandemic and the property market is expected to remain weak through 2020-21. The public health restrictions in response to the coronavirus (COVID-19) pandemic, a deterioration in economic conditions and heightened uncertainty over the economic outlook contributed to a notable fall in transaction volumes in the final quarter of 2019-20 and the first four months of 2020-21. These factors have also weighed on Victorian property prices, although unprecedented government stimulus and low interest rates are cushioning the property price downturn, along with mortgage deferral schemes offered by financial institutions.

Although property market conditions started to weaken from the onset of the coronavirus (COVID-19) pandemic in March 2020, the negative impacts on property taxes are expected to be delayed. Land transfer duty was not materially affected by public health restrictions and the weakening in economic conditions in 2019-20 as the duty is collected at settlement which typically occurs several months after the time of the transaction. Land transfer duty revenue is expected to fall steeply by 25.9 per cent in 2020-21 from the 2019-20 result (Table 4.2), reflecting the fall in transaction volumes and weaker property prices. This revenue will also be reduced by the Government's land transfer duty relief initiatives. Land transfer duty is expected to recover from 2021-22 and grow by an average of 15.4 per cent a year over the forward estimates, but is not expected to reach the 2018-19 level until 2022-23.

The weakening in Victorian property prices is expected to have a delayed impact on land tax, with land tax revenue in 2020-21 expected to increase by 1.6 per cent from the 2019-20 result to \$3.5 billion, then remain stable through to 2022-23. In 2020-21, land tax revenue reflects an expected increase in unimproved land values between 1 January 2019 and 1 January 2020, offset by the Government's land tax relief initiatives. The weakening in property prices following the onset of the coronavirus (COVID-19) pandemic is expected to dampen land tax revenue from 2021-22 onwards, offset by the tapering of land tax relief measures.

Table 4.2: Taxation estimates (\$ million)

	2019-20 actual	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Taxes on employers' payroll and labour force ^(a)	5 803	5 377	5 829	6 651	7 111
Taxes on immovable property					
Land tax	3 447	3 503	3 481	3 482	3 829
Fire Services Property Levy ^(b)	708	709	756	775	783
Congestion levy ^(c)	110	73	103	105	105
Metropolitan improvement levy	190	199	206	215	223
Total taxes on property	4 455	4 483	4 547	4 577	4 939
Gambling taxes					
Public lotteries	530	559	572	585	599
Electronic gaming machines ^(d)	844	611	1 140	1 191	1 217
Casino ^(d)	161	78	229	244	251
Racing and other sports betting	166	184	187	191	196
Other	10	8	10	11	11
Financial and capital transactions					
Land Transfer Duty	6 143	4 554	5 564	6 617	6 999
Metropolitan planning levy	21	16	16	18	19
Financial accommodation levy	153	162	171	174	179
Growth areas infrastructure contribution	244	240	331	381	438
Levies on statutory corporations ^(e)	157	173	173	173	173
Taxes on insurance	1 484	1 520	1 614	1 718	1 827
Total taxes on the provision of goods and services	9 911	8 105	10 007	11 301	11 907
Motor vehicle taxes					
Vehicle registration fees	1 775	1 884	1 918	1 998	2 086
Duty on vehicle registrations and transfers	895	850	938	952	981
Liquor licence fees	..	..	22	24	25
Other	328	229	439	516	516
Total taxes on the use of goods and performance of activities	2 998	2 963	3 317	3 491	3 607
Total taxation	23 167	20 928	23 700	26 021	27 565

Source: Department of Treasury and Finance

Notes:

(a) As part of the Economic Survival Package, the State is recognising \$328 million of payroll tax refunds and waivers to small businesses in 2020-21.

(b) The Fire Services Property Levy has been frozen at the 2019-20 revenue target for the 2020-21 financial year.

(c) On 10 September 2020, the Government announced a congestion levy waiver of 25 per cent of the 2020 levy for car park owners and operators.

(d) The forecast reduction of electronic gaming machines and casino gambling taxes in 2020-21 is primarily attributable to the temporary closure of Crown Casino, hotels and clubs as a result of the public health restrictions associated with the coronavirus (COVID-19) pandemic.

(e) The fifth tranche of the environmental contribution levy commenced on 1 July 2020 for a period of four years concluding on 30 June 2024.

Payroll tax revenue is forecast to fall by 7.3 per cent from 2019-20, to \$5.4 billion in 2020-21. This decrease reflects weak labour market conditions and the impact of the Government's support for small and medium businesses in response to the coronavirus (COVID-19) pandemic. Payroll tax revenue is expected to grow by an average of 9.8 per cent a year over the forward estimates, and by an average of 2.5 per cent a year over the five years to 2023-24.

Gambling tax revenue is forecast to decrease by 15.8 per cent from 2019-20, to \$1.4 billion in 2020-21. This decrease is largely driven by the temporary closure of Crown Casino, hotels and clubs as part of the Government's public health response to the coronavirus (COVID-19) pandemic. Nevertheless, gambling tax revenue is expected to be supported by elevated revenue collections from lotteries, racing and sports betting. Gambling tax revenue is expected to grow by an average of 16.4 per cent a year over the forward estimates, and by an average of 2.5 per cent a year over the five years to 2023-24.

Motor vehicle taxes are expected to increase by 2.4 per cent from 2019-20, to \$2.7 billion in 2020-21 and grow by an average of 3.9 per cent a year over the forward estimates. Cautious consumer spending behaviour in response to weaker economic conditions is expected to lead to a slower rate of growth in motor vehicle taxes over the budget and forward estimates than in recent years.

Insurance taxes are expected to increase by 2.4 per cent from 2019-20, to \$1.5 billion in 2020-21, and grow by 6.3 per cent a year on average over the forward estimates. Most types of insurance tax revenue are expected to be largely unaffected by the public health restrictions, except travel insurance tax revenue which is expected to remain weak due to widespread travel restrictions.

Land transfer duty

Land transfer duty is payable on most transactions that result in a change of ownership of land and associated real estate assets. Various exemptions and concessions are available, such as for certain concession card holders and eligible first home buyers. This includes the first home buyer stamp duty exemption/concession scheme, implemented on 1 July 2017, as part of the *Homes for Victorians* program.

In 2020-21, land transfer duty is expected to decrease by 25.9 per cent compared with the 2019-20 result, to \$4.6 billion. Land transfer duty is expected to recover from 2021-22 and grow by an average of 15.4 per cent a year over the forward estimates, but is not expected to reach the 2018-19 level until 2022-23.

Land transfer duty revenue is expected to fall in 2020-21 mainly due to the public health restrictions on property inspections and auctions in response to the coronavirus (COVID-19) pandemic that, together with the broader weakening in labour market conditions and heightened economic uncertainty, have suppressed property transaction volumes in the final quarter of 2019-20 and the first four months of 2020-21. Land transfer duty revenue is also expected to be reduced by the weakening in property prices since the onset of the coronavirus (COVID-19) pandemic.

The Government's tax incentives to support the economic recovery and help to create jobs will affect land transfer duty revenue in 2020-21, including:

- as part of the Big Housing Build package, a waiver of 50 per cent of land transfer duty for new residential property transactions, and a 25 per cent waiver for existing properties with a dutiable value of up to \$1 million for contracts entered into the day after the announcement until 30 June 2021; and
- a 50 per cent land transfer duty concession for commercial and industrial property transactions in regional Victoria for contracts entered into from 1 January 2021 – rather than 1 July 2023 as announced in the *2019-2020 Budget*.

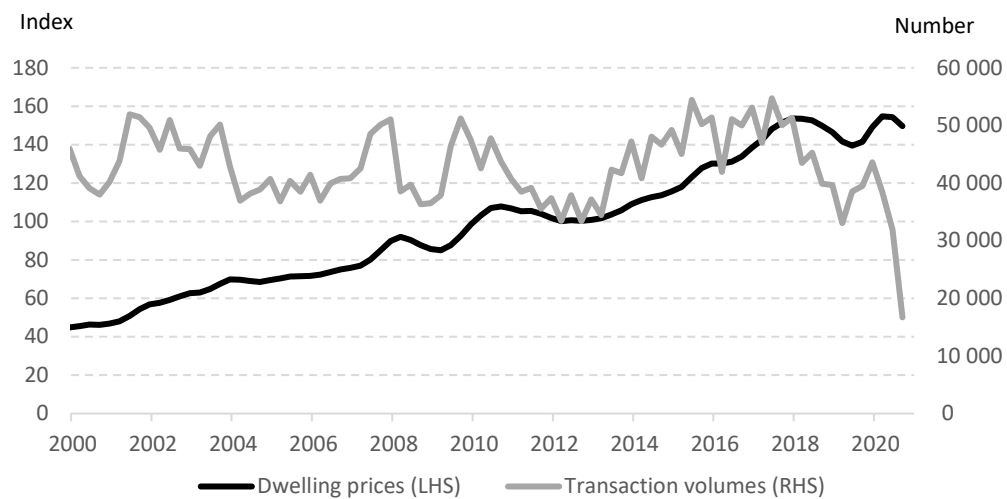
Property transaction volumes declined sharply between July and October 2020 (Chart 4.1). Property sales reported by the Real Estate Institute of Victoria in October 2020 were around 75 per cent lower than the historical average, while the number of distressed listings was elevated despite mortgage loan deferrals and fiscal stimulus. Transaction volumes are forecast to recover from November 2020 as restrictions affecting the property market ease (Chart 4.2).

Victorian dwelling prices increased by 11.8 per cent from May 2019 to March 2020. However, property market conditions have weakened following the onset of the coronavirus (COVID-19) pandemic with dwelling prices declining by 4.9 per cent from March 2020 to October 2020. The mortgage loan deferral scheme offered by financial institutions, record low mortgage interest rates, and unprecedented fiscal stimulus and income support have helped cushion dwelling prices against steeper falls. Despite these support measures, higher levels of unemployment, economic uncertainty, weaker population growth and deteriorating conditions in the rental market are expected to put continued downward pressure on property prices.

Victorian dwelling prices are expected to decline further in the near term, with an anticipated 11 per cent peak-to-trough fall from the March quarter 2020 to the June quarter 2021 (Chart 4.3). Dwelling prices are then expected to gradually recover, supported by the low interest rate environment. Weak wages growth, low migration and economic uncertainty are expected to weigh on the pace of recovery, with dwelling prices not expected to return to pre-coronavirus (COVID-19) pandemic levels until 2022-23.

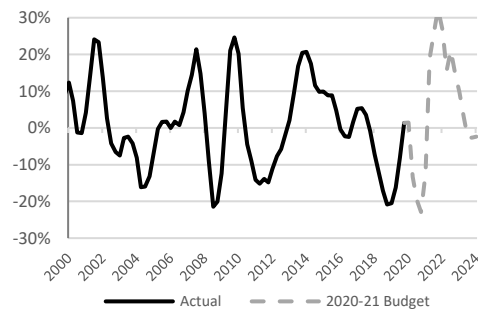
After a period of significant strength in 2017-18 and 2018-19, non-residential duties, which include commercial, industrial and other types of transactions, have declined. Public health restrictions including directives for businesses to close and employees to work remotely have affected retail and office sectors and these properties are facing significant uncertainty amidst increased vacancy rates and lower rental returns. On the other hand, warehousing, distribution and logistics have been less affected due to businesses adopting e-commerce.

Chart 4.1: Dwelling prices and property transaction volumes in Victoria



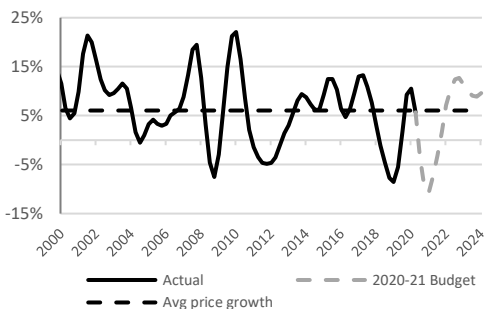
Source: CoreLogic, Valuer-General of Victoria

Chart 4.2: Transaction volumes (at contract date) in Victoria (through the year growth, quarterly)



Sources: Valuer-General of Victoria, Department of Treasury and Finance

Chart 4.3: Dwelling prices in Victoria (through the year growth, quarterly)



Sources: CoreLogic, Department of Treasury and Finance

Land tax

Land tax is an annual tax assessed on the unimproved value of land (site value). Categories of land, such as principal places of residence and primary production land, are exempt under the *Land Tax Act 2005*.

The value of unimproved land is based on an individual assessment of each site across Victoria. The Valuer-General Victoria considers a range of factors in determining the value of land, including recent land sales, development potential of the site, location and planning guidelines as they relate to new redevelopments or allowances for mixed use properties. Assessing each of these factors can be complex, especially valuations for mixed-use properties or where land sales data are insufficient.

Land tax revenue in 2020-21 is expected to be \$3.5 billion, an increase of 1.6 per cent from the 2019-20 result. Land valuations in the 2020-21 land tax year reflect property market conditions between 1 January 2019 and 1 January 2020. Industrial land values are expected to have improved reflecting demand for warehousing and distribution sites, and residential land valuations are expected to have lifted consistent with an increase in residential dwelling prices over the second half of 2019. However, the effect of higher land valuations on land tax revenue is expected to be mostly offset by the Government's support to land owners including land tax relief under the Support to Landlords and Tenants package. Budget Paper No. 3, Chapter 1 *Output, Asset Investment, Savings and Revenue Initiatives* contains further details and the revenue impact of the land tax relief measures.

Due to the lag associated with the annual land revaluation process, the impact of the coronavirus (COVID-19) pandemic on land valuations will likely affect land tax revenue from 2021-22. Land tax revenue is forecast to increase by an average annual rate of 3.0 per cent over the forward estimates, below its historical average growth rate. Land tax revenue from residential properties is expected to be weak in 2021-22 and 2022-23, consistent with a forecast decline in Victorian dwelling prices from the March quarter 2020 to the June quarter 2021. Commercial land valuations are also expected to be subdued until 2022-23, but will be partially offset by persistent strength in warehousing and other non-residential properties that saw an increase in demand during the coronavirus (COVID-19) pandemic.

Growth areas infrastructure contribution

The growth areas infrastructure contribution (GAIC) applies to certain types of land in Melbourne's growth areas: Cardinia, Casey, Hume, Melton, Mitchell, Whittlesea and Wyndham. Revenue from GAIC is tied to community infrastructure development in these areas.

GAIC revenue declined by 13.6 per cent in 2019-20 due to the deterioration in property market conditions, and is expected to decrease by a further 1.8 per cent to \$240 million in 2020-21. GAIC revenue is expected to grow by an average of 22.2 per cent a year over the forward estimates, and by an average of 9.1 per cent a year over the five years to 2023-24.

The amount of GAIC revenue available to be invested in projects is determined by the actual cash received each year due to deferred payment mechanisms and work in kind arrangements. There is, however, a high degree of uncertainty around GAIC revenue forecasts given the impact of expected weakness in the property and labour markets.

Metropolitan planning levy

The metropolitan planning levy applies to planning permits for land to be developed in metropolitan Melbourne, where the estimated cost of development is over the threshold. In 2020-21, the threshold is \$1 093 000. Revenue from the levy helps fund the work of the Victorian Planning Authority and its Plan Melbourne initiative, a long-term strategy to accommodate Melbourne's growth.

Revenue from the metropolitan planning levy is forecast to decline by 21.4 per cent from the 2019-20 result, to \$16 million in 2020-21. Metropolitan planning levy collections are estimated to partially recover over the forward estimates, increasing by an average of 5.7 per cent a year over the forward estimates, consistent with expected changes in dwelling investment.

Congestion levy

The congestion levy applies to off-street parking spaces in inner Melbourne, aimed at reducing traffic congestion and encouraging alternative forms of transport. For 2020, the levy rate is \$1 460 for parking spaces in the Category 1 geographic area, and \$1 040 for spaces in the Category 2 area.

Revenue from the congestion levy is expected to decline by 33.8 per cent from the 2019-20 result, to \$73 million in 2020-21. The expected fall in 2020-21 is largely driven by the Government's decision to waive 25 per cent of the congestion levy in 2020.

Congestion levy revenue is expected to partially recover over the forward estimates, increasing by an average of 12.9 per cent a year.

Fire Services Property Levy

The Fire Services Property Levy is an annually recurring charge on property owners. Revenue from the levy goes to supporting the State's fire services, including vital life-saving equipment, firefighters, staff and volunteers, training, infrastructure and community education.

The Fire Services Property Levy rates are set each year to specifically target an amount of revenue to raise. As part of the Government's response to the economic impacts of the coronavirus (COVID-19) pandemic, the total Fire Services Property Levy revenue target for 2020-21 has been frozen at the 2019-20 revenue target of \$709 million.

Payroll tax

Payroll tax revenue is expected to fall by 7.3 per cent from the 2019-20 result, to \$5.4 billion in 2020-21 then recover, increasing by an average of 9.8 per cent a year over the forward estimates. Payroll tax revenue is expected to fall significantly in 2020-21 due to weak labour market conditions and the Government's payroll tax support measures for businesses in response to the coronavirus (COVID-19) pandemic.

The coronavirus (COVID-19) pandemic and accompanying health restrictions have had a severe impact on the labour market. While policy responses have helped to cushion this impact, employment losses have been significant. The trough in employment is expected to occur in the December quarter 2020. With public health restrictions being eased gradually in Victoria, to be COVID Normal by the end of 2020, a steady rebound in employment is expected from the beginning of 2021.

Victorian wages growth has been subdued in recent years even before the coronavirus (COVID-19) pandemic. Wages growth is expected to improve but remain weak over the budget and forward estimates consistent with an expected high level of unemployment. Nevertheless, as the economy recovers and spare capacity in the labour market is gradually reduced, wages growth is expected to increase moderately over the remainder of the forecast period.

With restrictions being further eased and supported by anticipated gradual improvements in wages growth and employment, payroll tax revenue is expected to increase from 2021-22, but this recovery will depend on the pace of adjustment in the labour market.

In addition to the impact of the weak labour market conditions on payroll tax, the Government's payroll tax relief initiatives to support businesses during the coronavirus (COVID-19) pandemic and help communities rebuild from the 2019-2020 Victorian bushfires are also affecting revenue over the budget and forward estimates. See Box 4.1 and Budget Paper No. 3, Chapter 1 *Output, asset investment, savings and revenue initiatives* for further details of payroll tax reductions and relief measures.

Box 4.1: Payroll tax revenue

Prior to the coronavirus (COVID-19) pandemic, Victoria's economy had been performing well. Economic and employment growth was strong – averaging around 3.5 per cent a year over the three years to 2018-19 – and the economy had recorded 27 years of consecutive growth. The unemployment rate had fallen to an 11-year low of 4.6 per cent in 2018-19 and was low across the state.

The coronavirus (COVID-19) pandemic, the accompanying public health restrictions and low consumer confidence have had a severe impact on Victoria's labour market.

Employment is forecast to fall by 3.25 per cent in 2020-21, while the unemployment rate is expected to peak at 8.25 per cent in the December quarter 2020 – a level last reached in late 1997. While government policy responses have helped to support the labour market and cushion this impact, employment losses have still been significant.

Payroll tax revenue is closely linked with employment and wages in Victoria. Payroll tax is a state own-source tax calculated based on wages and salaries paid to employees by an employer above a certain threshold. As of 1 July 2020, an employer, or group of employers, is liable for payroll tax if: wages are paid in Victoria; the employer/group's Australian wages exceed the monthly threshold of \$54 166; and their wage bill exceeds the annual threshold of \$650 000. The current payroll tax rate is 4.85 per cent for metropolitan businesses. Regional employers pay a lower rate, currently 2.02 per cent and reducing to 1.21 per cent from 1 July 2022 – a quarter of the metropolitan rate. The reduced rate of 1.21 per cent already applies to regional employers based in local government areas affected by the 2019-2020 Victorian bushfires.

Payroll tax revenue declined by 7.6 per cent in 2019-20 and is expected to fall by a further 7.3 per cent in 2020-21. The weakness in the payroll tax revenue in 2019-20 and 2020-21 is largely attributable to the Victorian labour market conditions. The Government's payroll tax relief initiatives to support businesses during the coronavirus (COVID-19) pandemic and help communities rebuild from the 2019-2020 Victorian bushfires are also affecting revenue over the budget and forward estimates. These payroll tax initiatives include:

From 1 July 2019:

- providing payroll tax waivers and refunds for the 2019-20 financial year to small and medium-sized businesses with annual Victorian payrolls up to \$3 million – giving \$1 billion back to businesses who needed it;
- \$252 million to exempt 'additional wages' paid to employees under the Commonwealth JobKeeper program from payroll tax; and
- bringing forward payroll tax rate reductions for regional employers in State of Disaster Local Government Areas and four Alpine Resorts in Victoria.

From 1 July 2020:

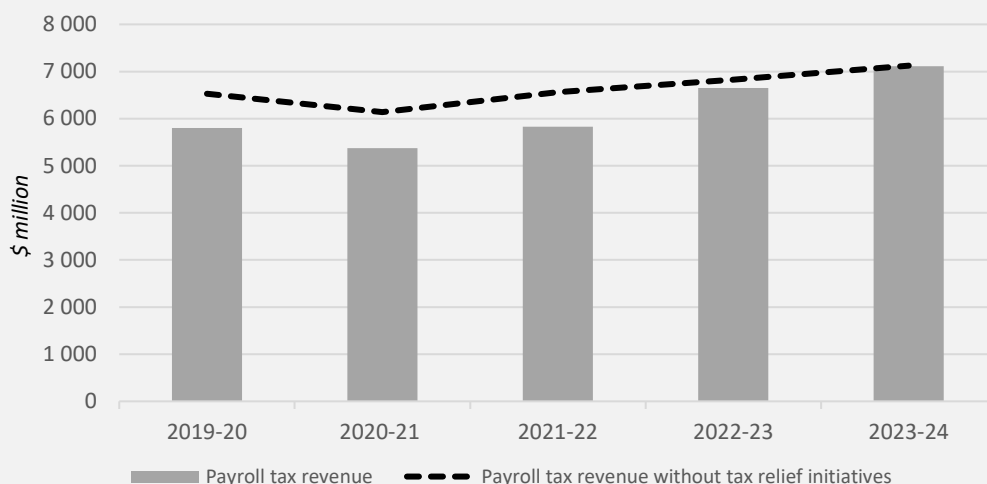
- providing \$836 million in New jobs tax credits to encourage small and medium businesses to increase employment by re-hiring staff, restoring staff hours and creating new jobs as they recover from the effects of the coronavirus (COVID-19) pandemic.

And from 1 July 2021:

- increasing the threshold for paying payroll tax on an annual basis from \$40 000 to \$100 000, reducing administration costs and providing \$309 million of cash flow support to 7 000 businesses over the forward estimates.

Collectively, these initiatives reduced payroll tax revenue in 2019-20 by \$726.1 million and are estimated to reduce payroll tax revenue in 2020-21 by around \$761.9 million.

Chart 4.4: Payroll tax revenue



Source: Department of Treasury and Finance

Payroll tax revenue is forecast to improve over the forward estimates, supported by an expected improvement in Victoria's labour market conditions and as the Government's payroll tax relief gradually unwinds. Nevertheless, the recovery in Victoria's payroll tax revenue is expected to be gradual, and not expected to reach the 2018-19 level until 2022-23.

Gambling taxes

Gambling taxes are levied on public lotteries, electronic gaming machines, Crown Casino, racing, wagering and betting and other forms of gambling. These taxes are typically in the form of a percentage of net expenditure (equal to the amount gambled less prizes or refunds to players), with the tax rate varying according to the category of gambling. Gambling taxes also include revenue associated with the relevant licence premiums.

Gambling tax revenue is forecast to decrease by 15.8 per cent from the 2019-20 result, to \$1.4 billion in 2020-21. Gambling tax revenue is expected to recover to be higher than its pre-coronavirus (COVID-19) pandemic level by 2021-22, growing by an average of 16.4 per cent a year over the forward estimates.

Gambling tax collections from Victorian gaming venues including Crown Casino have been severely affected by the temporary closure of these venues in the 2020 calendar year as part of the public health response to the coronavirus (COVID-19) pandemic. These venues started to reopen in November following easing of public health restrictions, but limits on venue capacity and social distancing measures are expected to weigh on gambling tax revenue in the near term.

In contrast, lottery revenue has not been notably affected during the coronavirus (COVID-19) pandemic. Wagering and sports betting revenue has also remained elevated, with the cancellation of some sporting events offset by higher participation in online gambling and betting on virtual sports.

In 2020-21, approximately 85 per cent of total gambling taxation revenue will be allocated to the Hospitals and Charities Fund, the Mental Health Fund and the Community Support Fund. These funds direct gambling revenues back into the community by providing funding for programs in hospitals and community organisations, mental health services, programs to tackle problem gambling, including funding for the Victorian Responsible Gambling Foundation, as well as drug education, treatment and rehabilitation.

Motor vehicle taxes

Motor vehicle taxes include vehicle registration fees and duty on transfer and registration of vehicles. Motor vehicle registration fees vary according to vehicle type and use, while duty is calculated on the market value or the purchase price of the vehicle (whichever is greater).

Motor vehicle taxes are expected to increase by 2.4 per cent from the 2019-20 result, to \$2.7 billion in 2020-21, then grow by an average of 3.9 per cent a year over the forward estimates. The expected rate of growth for motor vehicle taxes is slower than the average rate in recent years.

While revenues from vehicle registration fees have not been notably affected since the onset of the coronavirus (COVID-19) pandemic, stamp duty revenue from vehicle sales is expected to weaken further in 2020-21 following declines over recent years. This reflects lower sales of new vehicles due to cautious consumer spending behaviour in response to weaker economic conditions and trading restrictions during the coronavirus (COVID-19) pandemic. However, sales of new vehicles may be supported by Commonwealth tax incentives and demand for used vehicles has increased due to a shift away from public transportation to private vehicles due to concerns about the spread of coronavirus (COVID-19).

Insurance taxes

Duty is payable on general insurance premiums, excluding life insurance, at a rate of 10 per cent. Examples include insurance against damage to, or loss of, motor vehicles and household contents.

Insurance taxes are expected to increase by 2.4 per cent from the 2019-20 result, to \$1.5 billion in 2020-21. Most insurance tax revenue is expected to increase, except revenue from travel insurance which is estimated to be lower due to travel restrictions. Insurance taxes are expected to increase by an average of 6.3 per cent a year over the forward estimates, consistent with the average growth rate in recent years.

GRANT REVENUE

Total grant revenue is expected to be \$33.5 billion in 2020-21, an increase of 2.1 per cent from the 2019-20 result. Grants for specific purpose are expected to increase in 2020-21. However, GST revenue is expected to decline due to the deterioration in the Australian economy as a result of the coronavirus (COVID-19) pandemic and a reduction in Victoria's GST relativity as a result of changes to the GST distribution methodology in 2020.

	2019-20 actual	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
General purpose grants – goods and services tax ^(a)	15 370	15 259	15 923	18 285	19 604
Specific purpose grants for on-passing	4 426	4 136	4 824	5 075	5 351
Other grants for specific purposes	12 672	13 770	12 977	14 078	14 476
Total	32 468	33 166	33 724	37 439	39 430
Other contributions and grants	321	317	867	772	629
Total grant revenue	32 789	33 483	34 591	38 210	40 059

Source: Department of Treasury and Finance

Note:

(a) The budget and forward estimates forecast for GST grants are based on Victorian forecasts of national GST collections, GST relativities and Victoria's population share (Victoria's assessed relativity as published by the Commonwealth Grants Commission is used for 2020-21).

GST

GST revenue is forecast to decline by 0.7 per cent from the 2019-20 result, to \$15.3 billion in 2020-21, then recover to grow by an average of 8.7 per cent a year over the forward estimates.

Victoria's GST revenue is broadly determined by three key factors:

- the amount of GST collected by the Commonwealth (the national GST pool);
- Victoria's GST relativity; and
- Victoria's share of the national population.

In 2020-21, the national GST pool is anticipated to be subdued reflecting the weak national economy. The outcome of the Commonwealth Grants Commission (CGC) 2020 Methodology Review has resulted in a notable drop in Victoria's GST relativity, the largest redistribution away from any state since the introduction of the GST (Box 4.2).

States' GST revenue is typically received monthly throughout the financial year based on the Commonwealth Government's estimates of each state's relative population share and a forecast of the national GST pool for that financial year. The Commonwealth subsequently updates each state's share of the national GST pool when the final aggregate GST pool is known and adjusts any over or under payment during the year through the remittance of funds in the subsequent year. The figures in Table 4.3 above reflect the entitlement to the annual GST pool that forms the basis for GST income recognition, rather than the funding distribution progressively received from the Commonwealth across the financial year.

National GST pool

The outlook for the national GST pool has been substantially weakened due to the impact of the public health restrictions on households and businesses across Australia in response to the coronavirus (COVID-19) pandemic. National household consumption is expected to fall in 2020-21 from the 2019-20 level, the first annual decline since the global financial crisis. The weakness in household consumption reflects the high level of unemployment, precautionary household savings behaviour, low consumer confidence and reductions in household labour incomes which are all expected to persist for a number of years. Additionally, the share of household consumption liable to the GST is expected to be lower in 2020-21, as a larger share of household spending is expected to be on GST-exempt goods and services.

National dwelling investment, which is also subject to GST, is forecast to decline in 2020-21 before staging a modest recovery over the forward estimates. This is consistent with the forecast recovery in the property market, which is expected to drive building activity with a lag.

Population

Victoria's population is forecast to grow by 0.2 per cent in 2020-21 due to restrictions on interstate and international movements. In recent years, Victoria's population growth has been driven largely by inflows of international and interstate migrants. Victoria's population growth rate is expected to gradually increase over the forward estimates as international borders re-open and interstate flows normalise.

GST relativities

Victoria's assessed GST relativity decreased from 0.98 in 2019-20 to 0.96 in 2020-21. The reduction in Victoria's assessed fiscal capacity was driven by changes to the GST distribution methodology by the CGC in 2020. Changes in the CGC's redistribution methodology are expected to have large impacts on Victoria's share of the national GST pool over the budget and forward estimates.

Victoria's assessed relativity is expected to increase modestly over the forward estimates. This largely reflects Victoria's below-average revenue raising ability compared to other states and territories in 2020-21. As such, lower assessed own-source revenue for impacted taxation lines is expected to support a higher relativity over the forward estimates. Victoria's current low share of Commonwealth grants is also expected to contribute to Victoria's higher GST requirement over the budget and forward estimates.

Expiry of Commonwealth no-worse off guarantee for GST entitlement

In 2018, the Commonwealth reformed the system of horizontal fiscal equalisation (HFE), which introduced:

- a minimum GST revenue sharing relativity (relativity floor) of 0.70 commencing in 2021-22 and rising to 0.75 from 2024-25;
- a permanent boost to the GST revenue pool from 2021-22 with additional Commonwealth financial assistance; and
- the transition of the HFE system from full equalisation (so-called equalising to the strongest state) to 'reasonable' equalisation, based upon the fiscal capacity of the stronger of New South Wales or Victoria.

During a six-year transition period commencing in 2021-22, each state or territory is entitled to receive additional Commonwealth financial assistance to ensure it is no worse off compared to its GST entitlement had full equalisation been maintained. The no-worse off guarantee will no longer apply after the end of the transition period in 2026-27.

Box 4.2: Changes in the GST distribution methodology from 2020-21

Since its introduction in 2000, the GST has been distributed among states and territories with the aim of addressing differences in revenue raising capacity and the cost of delivering services. Its aim is to allow state governments to provide similar standards of public services to their communities, such as health, education and urban transport, at a similar tax burden.

The CGC recommends the distribution of GST revenue among states to the Commonwealth Treasurer each year. In addition, every five years, the CGC reviews the methodology used to calculate the distribution.

The CGC's 2020 Methodology Review final report was released on 16 March 2020 and its determination was endorsed by the Commonwealth Treasurer on 1 April 2020. This saw a new methodology for calculating GST relativities for the five years commencing from 2020-21.

The methodology significantly reduced the GST relativity for Victoria, with its relativity declining from 0.98273 in 2019-20 to 0.95992 in 2020-21. At that time, the CGC estimated that the net impact of the methodology changes on Victoria's relativity would be a \$802 million reduction to Victoria's GST revenue in 2020-21. New South Wales was the main beneficiary of the CGC's 2020 methodology changes.

This change represented the single largest redistribution away from any state in a methodology review since the introduction of the GST. Based on Victoria's own forecasts, the methodology change is expected to redistribute approximately \$1 billion per year in GST revenue away from Victoria across the budget and forward estimates.

Victoria remains the jurisdiction with the third lowest relativity, behind Western Australia and New South Wales. The CGC expects Victoria's share of GST to fall from 25.7 per cent in 2019-20 to 25.2 per cent in 2020-21, compared to a population share of 26.3 per cent estimated in 2020-21.

The Northern Territory, Tasmania and New South Wales saw their relativities increase. Aside from Victoria, the relativities of South Australia, the Australian Capital Territory, Queensland and Western Australia also declined in 2020-21. For Queensland and Western Australia, growth in the value of those states' mining production increased their revenue raising capacity.

Grants for on-passing

Table 4.4 summarises estimates of grants from the Commonwealth that are passed on to other entities.

Table 4.4: Grants for on-passing (\$ million)

	2019-20 actual	2020-21 budget	Change %
Commonwealth Government grants to local government			
<i>Financial assistance grants to local government ^(a)</i>			
An equal per capita basis is used for distributing total assistance to the states and territories pursuant to the <i>Local Government (Financial Assistance) Act 1995</i> .			
	460	224	(51.3)
<i>Identified local roads grants to local government ^(a)</i>			
Funding to local councils is provided on a per capita and road length basis pursuant to the <i>Local Government (Financial Assistance) Act 1995</i> .			
	162	79	(51.6)
Quality Schools Funding			
Support for non-government schools.	3 796	3 834	1.0
Other	8	..	(100.0)
Total grants for on-passing	4 426	4 136	(6.6)

Source: Department of Treasury and Finance

Note:

(a) The lower grants in 2020-21 largely reflect bringing forward part of the 2020-21 Commonwealth grants for councils into 2019-20.

Grants for specific purposes

Table 4.5 lists Commonwealth grants for specific purposes, with detailed tables by expenditure category in Tables 4.6 to 4.12.

Table 4.5: Grants for specific purposes ^{(a)(b)} (\$ million)

	2019-20 actual	2020-21 budget	Change %
Affordable housing	405	418	3.0
Community services	335	302	(9.9)
Education	2 496	2 807	12.4
Environment	52	97	86.3
Health	6 550	6 614	1.0
Infrastructure	812	836	2.9
Contingent/Other	2 021	2 696	33.4
Total grants for specific purposes	12 672	13 770	8.7

Source: Department of Treasury and Finance

Notes:

(a) Grants may not match Commonwealth Budget publications for newly announced agreements yet to be signed by Victoria.

(b) There may be a difference in categorisation between Commonwealth and Victorian figures for payments yet to be finalised.

Table 4.6: Payments for affordable housing (\$ million)

	2019-20 actual	2020-21 budget	Change %
National Housing and Homelessness Agreement			
Funding will contribute to improving access to affordable, safe and sustainable housing, including to address homelessness, and to support social and economic participation.			
	405	418	3.0
Total affordable housing	405	418	3.0

Source: Department of Treasury and Finance

Table 4.7: Payments for community services (\$ million)

	2019-20 actual	2020-21 budget	Change %
National Partnerships			
<i>Assistance to States for DisabilityCare Australia</i>			
Funding to assist the transition to the National Disability Insurance Scheme.	244	253	3.5
Home and Community Care Assessment			
Funding for home and community care services.	34	35	3.1
Other	57	14	(75.2)
Total community services	335	302	(9.9)

Source: Department of Treasury and Finance

Table 4.8: Payments for education services (\$ million)

	2019-20 actual	2020-21 budget	Change %
Quality Schools Funding			
Support for government schools.	1 956	2 125	8.6
National Agreement for Skills and Workforce Development			
Funding for the delivery of training services.	401	408	1.6
National Partnerships			
<i>Universal access to early childhood education</i>			
Funding to assist Victoria to meet the Council of Australian Governments' target of access to 15 hours of early childhood education a week for all children in the year before full-time school.	126	130	3.3
<i>School Chaplaincy Program</i>			
Funding to support the emotional wellbeing of students by providing pastoral care services.	13	13	(2.7)
<i>JobTrainer Fund</i>			
Funding to provide training places that are free or low fee, in areas of identified skills needs for job seekers and young people, including school leavers.	..	130	n.a.
Other	..	1	n.a.
Total education services	2 496	2 807	12.4

Source: Department of Treasury and Finance

Table 4.9: Payments for environment services (\$ million)

	2019-20 actual	2020-21 budget	Change %
National Partnerships			
<i>Sustainable Rural Water Use and Infrastructure Program</i>			
This funding is provided under a number of arrangements, such as the National Partnership on Water for the Future and Water Management Partnership Agreements under the Intergovernmental Agreement on Implementing Water Reform in the Murray-Darling Basin.	21	32	54.7
<i>Hydrogen Energy Supply Chain Pilot Project</i>			
Funding to support a pilot project to demonstrate the feasibility of a hydrogen energy supply chain.	18	13	(28.6)
<i>Water Infrastructure Development Fund – Capital Component</i>			
Funding to accelerate the detailed planning and construction of water infrastructure projects that will deliver new and affordable water, enhance water security and underpin regional economic growth.	7	50	594.8
Other	7	3	(62.4)
Total environment services	52	97	86.3

Source: Department of Treasury and Finance

Table 4.10: Payments for health services

(\$ million)

	2019-20 actual	2020-21 budget	Change %
National Health Reform Agreement ^(a)			
The National Health Reform Agreement sets out the terms on which the Commonwealth contributes funding to the State's public hospital system. Hospitals are funded on the basis of an activity-based funding formula.			
	6 494	6 565	1.1
National Partnerships			
<i>Adult Public Dental Services</i>			
Funding to assist states to reduce wait times and provide public dental services to adults.			
	27	27	0.1
<i>Victorian Cytology Service</i>			
Funding to the Victorian Cytology Service.	10	11	1.4
Other	18	12	(35.6)
Total health services	6 550	6 614	1.0

Source: Department of Treasury and Finance

Note:

(a) Includes payments relating to the National Partnership on COVID-19 Response which are to be considered payments under the National Health Reform Agreement.

Table 4.11: Payments for infrastructure services

(\$ million)

	2019-20 actual	2020-21 budget	Change %
National Partnerships			
<i>Infrastructure Investment Program</i>			
Funding is provided for road and rail infrastructure. The program assists economic and social development regionally and nationally by providing funding to improve the performance of land transport infrastructure.			
	811	752	(7.3)
<i>Geelong City Deal ^(a)</i>			
Funding to support projects under the Geelong City Deal, including the Shipwreck Coast Master Plan, Great Ocean Road projects and projects in the Geelong city centre.			
	1	84	n.a.
Other	..	..	n.a.
Total infrastructure services	812	836	2.9

Source: Department of Treasury and Finance

Note:

(a) The increase in funding between 2019-20 and 2020-21 reflects the signing date of the agreement (27 March 2020) and the impact of coronavirus (COVID-19) related public health restrictions on the construction sector.

Table 4.12: Payments for contingent and other services (\$ million)

	2019-20 actual	2020-21 budget	Change %
National Partnerships			
<i>Legal Assistance Services</i>			
Funding for a share of the service delivery costs of Victoria Legal Aid on Commonwealth law matters.	62	83	33.5
Other ^{(a)(b)}	1 959	2 613	33.4
Total other services	2 021	2 696	33.4

Source: Department of Treasury and Finance

Notes:

(a) Includes payments from the Commonwealth to hospitals including for the pharmaceutical benefits scheme and residential aged care subsidies and other Commonwealth Own Purpose Expenditure.

(b) Includes payments from the Commonwealth under the Disaster Recovery Funding Arrangements after the 2019-2020 Victorian bushfires.

SALES OF GOODS AND SERVICES

Revenue from the sales of goods and services is expected to grow by 6.7 per cent in 2020-21 to \$8.4 billion. Over the forward estimates, growth is expected to average 3.9 per cent a year. This growth largely reflects increases in the capital asset charge revenue from VicTrack associated with an increase in its asset base, along with an expected recovery in public transport fare revenue from 2021-22 onward.

Table 4.13: Sales of goods and services (\$ million)

	2019-20 actual	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Motor vehicle regulatory fees	234	281	306	316	320
Other regulatory fees	546	510	721	761	774
Sale of goods	76	95	95	89	91
Provision of services	4 562	4 865	5 079	5 233	5 338
Rental	82	89	91	94	96
Refunds and reimbursements	18	25	15	15	15
Inter-sector capital asset charge	2 384	2 567	2 737	2 817	2 815
Total sales of goods and services	7 902	8 433	9 043	9 325	9 448

Source: Department of Treasury and Finance

DIVIDENDS, INCOME TAX EQUIVALENT AND RATE EQUIVALENT INCOME

Table 4.14 details the dividends, income tax and rate equivalent income received by the State from government business enterprises.

Dividend, income tax equivalent (TTE), and rate equivalent income is projected to decline by 34.1 per cent from the 2019-20 result to \$534 million in 2020-21, before increasing by an average of 4.3 per cent a year over the forward estimates. The decline in 2020-21 is largely due to lower profits from the metropolitan water corporations as a result of the public health restrictions causing a slowdown in developer activities and associated revenues as well as lower revenues from business customers. Dividends in 2020-21 are also expected to be lower than 2019-20 due to the inclusion of deferred 2018-19 interim dividends of metropolitan water corporations in 2019-20.

Table 4.14: Dividends, income tax equivalent and rate equivalent income (\$ million)

	2019-20 <i>actual</i>	2020-21 <i>budget</i>	2021-22 <i>estimate</i>	2022-23 <i>estimate</i>	2023-24 <i>estimate</i>
Dividends	509	292	243	271	312
Income tax equivalent income	297	235	245	256	287
Local government rate equivalent income	4	7	7	7	7
Total dividends, income tax equivalent and rate equivalent income	810	534	494	534	606

Source: Department of Treasury and Finance

INTEREST INCOME

Interest income is earned on holdings of cash and deposits. Total interest income is expected to be \$637 million in 2020-21 and is forecast to decline by an average of 1.7 per cent a year over the forward estimates, largely due to money being drawn down from the Victorian Transport Fund to fund infrastructure.

OTHER REVENUE

Table 4.15 shows other revenue, which includes fines, donations and gifts, and royalties. Other revenue is projected to be \$2.7 billion in 2020-21, and increase by an average of 5.8 per cent a year over the forward estimates.

Table 4.15: Other revenue

(\$ million)

	2019-20 actual	2020-21 budget	2021-22 estimate	2022-23 estimate	2023-24 estimate
Fines					
Road safety camera fines	330	475	524	545	553
Police on-the-spot fines	156	149	169	173	176
Toll road evasion fines	91	69	128	130	133
Non-traffic statutory and court fines	74	90	90	91	91
Total fines	650	782	911	938	953
Fair value of assets received free of charge or for nominal consideration	41	1	1	2	2
Royalties	111	138	140	140	142
Donations and gifts	234	220	220	203	207
Other non-property rental	33	30	32	32	32
Other revenue – Education	402	357	403	411	422
Other revenue – Health	220	236	242	248	254
Other miscellaneous revenue	649	584	553	569	554
Revenue recognition related to economic service concession arrangements	320	324	368	506	600
Total other revenue	2 662	2 673	2 869	3 048	3 165

Source: Department of Treasury and Finance

CHAPTER 5 – TAX EXPENDITURES AND CONCESSIONS

Tax expenditures and concessions represent forgone revenue to the State. They take a number of different forms, for example, exemptions, benefits and incentives delivered through the tax system. Regardless of form, they preferentially benefit certain taxpayers, activities or assets compared with normal taxation treatment.

This chapter includes the announced Government decisions providing tax incentives and benefits to targeted taxpayers, encompassing economic support and recovery, bushfire tax relief and other coronavirus (COVID-19) pandemic tax relief.

Economic support and recovery

The Government has announced a range of measures to support the economic recovery and help create jobs, including:

- the New jobs tax credit - businesses with annual Australian group wages less than \$10 million will receive a non-refundable New jobs tax credit of 10 cents for every dollar of Victorian wages paid in 2020-21 and 2021-22 above the previous year's level;
- land transfer duty relief for businesses and individuals purchasing commercial and industrial properties in regional Victoria, enabling them to benefit immediately from the full 50 per cent concession announced in the *2019-20 Budget*, for contracts entered into on or after 1 January 2021;
- a land transfer duty waiver of 50 per cent (excluding any Foreign Purchaser Additional Duty) for new residential properties, and 25 per cent for existing residential properties, will be available for purchases up to \$1 million for contracts entered into between the day after announcement and 30 June 2021;
- starting from 1 January 2021, the land tax concession provided to clubs carried on exclusively for the social, cultural, recreational, literary or educational interests of their members will be replaced with a land tax exemption. The current land tax concession for clubs promoting or controlling horse racing or harness racing will continue unchanged; and
- starting from 1 January 2022, build-to-rent projects will receive a 50 per cent discount on land tax liabilities and a full exemption from the Absentee Owner Surcharge up until 1 January 2040.

Coronavirus (COVID-19) tax relief

The Government announced a number of tax relief measures to support households and businesses in response to the coronavirus (COVID-19) pandemic, including:

- payroll tax relief with full-year refunds and waivers on 2019-20 payroll tax for small and medium-sized businesses with annual Victorian payrolls up to \$3 million;
- targeted JobKeeper exemption from WorkCover Premiums and payroll tax for ‘additional wages’ paid to employees under the Commonwealth JobKeeper program;
- land tax relief: up to a 50 per cent reduction on a property’s 2020 land tax for landlords who provide rent relief to eligible tenants, with eligible residential landlords also receiving a 25 per cent reduction on a property’s 2021 land tax. Small and medium businesses that operate from owner occupied properties and landlords who are unable to secure a tenant may also be eligible for a 25 per cent reduction in the property’s 2020 land tax; and
- congestion levy waiver of 25 per cent of the 2020 levy for car park owners and operators.

Bushfire tax relief

The Government announced a number of tax relief measures to support bushfire-affected individuals and businesses including:

- land transfer duty relief for businesses and individuals purchasing commercial and industrial properties in State of Disaster Local Government Areas – Alpine, East Gippsland, Mansfield, Towong, Wangaratta and Wellington – and four Alpine Resorts, enabling them to benefit immediately from the full 50 per cent concession announced in the *2019-20 Budget*, backdated to contracts entered into from 27 January 2020;
- payroll tax relief for regional employers in State of Disaster Local Government Areas and four Alpine Resorts, enabling them to benefit immediately from the fully reduced regional employer rate of 1.2125 per cent announced in the *2019-20 Budget*, backdated to 1 July 2019;
- land transfer duty relief of up to \$55 000 for homeowners who purchase a replacement home;
- motor vehicle duty relief for affected vehicle owners, comprising duty relief of up to \$2 100 per replacement vehicle for up to two vehicles; and
- land tax relief for communities affected by bushfire, including exemptions for properties destroyed or substantially damaged, case-by-case relief for affected properties not destroyed or substantially damaged, and concessions and exemptions for properties used to provide free accommodation to people displaced by bushfires.

All amounts in this chapter have been rounded to the nearest \$1 million unless otherwise stated. Figures may not add due to rounding. Figures in 2019-20 are actuals unless otherwise stated.

TAX EXPENDITURES

Tax expenditures are estimated by taking the difference between the reduced tax paid by a person or entity receiving preferential treatment and the tax paid by similar taxpayers who do not receive that treatment. Benefits arising from marginal tax rates, tax-free thresholds and full waivers are not considered to be tax expenditures, since they apply to all taxpayers. Accordingly, they are not considered in this chapter.

Over the past decade, the State has forgone \$61.0 billion in revenue from tax expenditures. In 2020-21, tax expenditures are forecast to be about \$10.2 billion.

Support for individuals affected by the 2019-2020 Victorian bushfires and coronavirus (COVID-19) pandemic has resulted in a number of temporary expenditure measures. Land tax and payroll tax expenditures form a significant portion of the emergency relief provided.

The tax expenditures outlined below include exemptions, reduced rates and deductions or rebates of tax for a certain type of taxpayer, activity or asset. Table 5.1 aggregates tax expenditure estimates by the main tax categories for the period 2019-20 to 2023-24. In estimating tax expenditures, it is assumed taxpayer behaviour is unchanged by the concession.

Table 5.1: Estimates of aggregate tax expenditures by type of tax ^{(a)(b)} (\$ million)

<i>Description</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>
Land tax	5 513	6 249	5 522	5 524	6 075
Fire Services Property Levy	29	30	30	30	30
Payroll tax	2 391	2 357	2 190	2 013	1 929
Gambling tax	68	46	79	78	78
Motor vehicle taxes	195	205	206	214	224
Land transfer duties	1 532	1 185	1 356	1 471	1 562
Congestion levy	61	91	62	63	64
Total estimated tax expenditures	9 789	10 162	9 445	9 393	9 962

Source: Department of Treasury and Finance

Notes:

(a) Emergency relief measures relating to the 2019-2020 Victorian bushfires and coronavirus (COVID-19) pandemic are included in tax line totals.

(b) Fire Services Property Levy and payroll tax expenditures are based on estimates in the 2019-20 financial year due to data limitations.

Table 5.2 breaks down the aggregate tax expenditures that can be costed by type of tax.

Table 5.2: Estimates of tax expenditures that can be costed (\$ million)

Description	2019-20	2020-21	2021-22	2022-23	2023-24
Land tax					
Crown property (right of Victoria) ^(a)	467	508	470	470	517
Principal place of residence	2 976	3 235	2 991	2 992	3 290
Land held in trust for public or municipal purposes or vested in any municipality	352	383	354	354	389
Land used by charitable and religious institutions	254	276	256	256	281
Commonwealth land	306	332	307	307	338
Land used for primary production	577	627	579	580	637
Land vested in public statutory authorities	247	268	248	248	273
Land used for the CityLink network	37	40	37	37	41
Assessment on a single holding basis for land owned by a municipality	10	10	10	10	11
Land tax concessional rate for horse or harness racing ^(b)	9	6	6	6	6
Assessment on a single holding basis for land owned by charities	19	21	19	19	21
Retirement villages	39	42	39	39	43
Non-profit organisations providing outdoor cultural or sporting recreation or carried on exclusively for social, sporting, cultural or literary purposes (excluding horse or harness racing) ^(c)	43	52	48	48	53
Land tax exemption for friendly societies	..	..	..	..	..
Associations of ex-servicemen	3	3	3	3	3
Caravan parks	7	8	7	7	8
Residential care facilities	22	23	22	22	24
Low cost accommodation	2	2	2	2	2
Land tax exemption for mining	0	0	0	0	0
Absentee owner surcharge exemption ^(d)	102	111	115	115	127
Vacant residential land tax exemptions ^(e)	4	-	4	4	4
Big Housing Build: Land tax discount for build-to-rent projects ^(f)	-	-	7	7	7
Support for landlords and tenants: Land tax relief ^(g)	38	299	-	-	-
Tax relief for communities affected by the bushfires ^(h)	0	0	-	-	-
Total land tax expenditures	5 513	6 249	5 522	5 524	6 075
Fire Services Property Levy ⁽ⁱ⁾					
Fire Services Property Levy concession for pensioners and Department of Veterans' Affairs cardholders	22	22	22	22	22
Fire Services Property Levy exemption for single farm enterprises ^(j)	8	8	8	8	8
Total Fire Services Property Levy expenditures	29	30	30	30	30

Table 5.2: Estimates of tax expenditures that can be costed (continued) (\$ million)

<i>Description</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>
Payroll tax ⁽ⁱ⁾					
Wages paid by public hospitals	515	487	522	543	568
Wages paid by non-profit hospitals	50	47	50	52	54
Wages paid by health care services ^(k)	65	61	66	68	71
Wages paid by public benevolent institutions/charities	358	337	362	376	395
Wages paid by religious institutions	6	5	6	6	6
Wages paid by non-profit non-government schools	216	203	218	227	238
Wages paid by Commonwealth departments/agencies (excluding transport and communication)	95	90	96	100	105
Wages paid by municipal councils (not wages for trading activities)	129	122	131	136	142
Construction industry leave entitlements paid by CoINVEST	6	6	6	6	6
Fringe benefits excluded from <i>Fringe Benefits Tax Assessment Act 1986 (Commonwealth)</i>	16	17	17	16	17
Paid parental leave	25	23	25	26	27
Wages paid to employees participating in voluntary emergency service work	1	1	1	1	1
Wages paid to re-employed apprentices and trainees	7	8	9	10	10
Reduced payroll tax rate for regional employers ^(l)	176	188	237	277	289
New jobs tax credit ^(m)	-	225	442	169	-
Support for households and businesses: Payroll tax relief for small and medium businesses ⁽ⁿ⁾	673	328	-	-	-
Support for households and businesses: Targeted JobKeeper exemption from payroll tax ^(o)	46	205	-	-	-
Supporting business to recover and create jobs in bushfire-affected areas ^(p)	7	4	2	-	-
Total payroll tax expenditures	2 391	2 357	2 190	2 013	1 929
Gambling tax					
Clubs pay lower tax rate on net cash balance (electronic gaming machines) ^(q)	68	46	79	78	78
Total gambling tax expenditures	68	46	79	78	78
Motor vehicle taxes ^(r)					
Discounted registration fee for vehicles operated by Health Care Card holders and pensioners	127	136	138	144	151
Discounted registration fee for vehicles operated by totally and permanently incapacitated persons	2	2	2	2	2
Discounted registration fee for light vehicles operated by primary producers	8	8	8	9	9
Discounted registration fee for heavy vehicles operated by primary producers	33	33	34	35	35
Discounted registration fee for hybrid or electric vehicles ^(s)	5	5	2	2	3
Discounted registration fee for trade apprentices	2	2	2	2	2
Stamp duty exemption on mobile plant vehicles	10	9	10	10	11
Discounted registration fee for vehicles operated by charitable or religious institutions	6	6	6	7	7
Concessions to motor vehicle luxury duty for low emission vehicles and primary producers	3	3	3	3	3
Tax relief for communities affected by the bushfires ^(t)	0	-	-	-	-
Total motor vehicle tax expenditures	195	205	206	214	224

Table 5.2: Estimates of tax expenditures that can be costed (continued) (\$ million)

Description	2019-20	2020-21	2021-22	2022-23	2023-24
Land transfer duties					
Land transfer duty concession for first home buyers of properties valued up to \$750 000	724	550	672	785	829
Land transfer duty concession for farmers under 35 years of age buying their first farmland	2	2	2	2	2
Stamp duty concession for corporate reconstruction ^(u)	115	87	107	125	132
Land transfer duty concession for pensioners and concession card holders	80	60	74	86	91
Land transfer duty concession for principal place of residence	114	86	105	123	130
Off-the-plan land transfer duty concession for investors ^(v)	211	39	1	1	0
Off-the-plan land transfer duty concession for owner-occupiers	181	138	168	196	207
Foreign Purchaser Additional Duty exemption for corporations and trustees ^(w)	34	33	16	24	42
Land transfer duty concession for commercial and industrial properties in regional Victoria ^{(x)(y)}	3	11	29	31	27
Land transfer duty exemption for charities and friendly societies ^(z)	29	22	27	32	33
Land transfer duty exemption for family farm ^(aa)	38	29	36	42	44
Big Housing Build: Land transfer duty waiver for residential property transactions of up to \$1 million ^(ab)	-	126	119	24	24
Tax relief for communities affected by the bushfires ^(ac)	0	1	0	0	0
Total land transfer duties expenditures	1 532	1 185	1 356	1 471	1 562
Congestion levy					
Residential	8	8	8	8	8
Commercial and private	53	53	54	55	56
Support for households and businesses: Congestion levy waiver ^(ad)	-	30	-	-	-
Total congestion levy expenditures	61	91	62	63	64
Total estimated tax expenditures	9 789	10 162	9 445	9 393	9 962

Source: Department of Treasury and Finance

Notes:

- (a) Crown property expenditure is based on estimates in the 2019-20 financial year due to data limitations.
- (b) From 1 January 2021 this expenditure will no longer include the concessional land tax rate for non-profit organisations carried on exclusively for social, sporting, cultural and literary purposes.
- (c) From 1 January 2021 this expenditure will include the recently announced exemption for non-profit organisations carried on exclusively for social, sporting, cultural and literary purposes.
- (d) Includes the absentee owner surcharge exemption provided for build-to-rent projects.
- (e) No expenditure is reported for 2020-21 as a waiver was provided to all taxpayers over this period. Exemptions provided to all taxpayers are not recorded as expenditure items.
- (f) From 1 January 2022 build-to-rent projects will receive a 50 per cent discount on land tax liabilities. The absentee owner surcharge component is included with the general absentee owner surcharge expenditure.
- (g) Waiver of up to 50 per cent on a property's 2020 land tax for landlords who provide rent relief to eligible tenants, with eligible residential landlords also receiving a 25 per cent reduction on a property's 2021 land tax. Small and medium businesses that operate from owner occupied properties and landlords unable to secure a tenant may also be eligible for a 25 per cent reduction on the property's 2020 land tax.
- (h) Land tax relief for affected communities involving exemptions for properties destroyed or substantially damaged, case-by-case relief for affected properties not destroyed or substantially damaged, and concessions and exemptions for properties used to provide free accommodation to people displaced by bushfires.
- (i) Fire Services Property Levy and payroll tax expenditures are based on estimates in the 2019-20 financial year due to data limitations.
- (j) This is the first year that the Fire Services Property Levy exemption for single farm enterprises has been estimated.

Notes (continued):

- (k) The payroll tax exemption for health care services was first estimated in the 2019-20 Budget Update. The 2020-21 Budget is the first time that this item is separately identified.
- (l) Commencing in 2020-21, the payroll tax rate for regional employers is progressively decreasing from 50 per cent to 25 per cent of the metropolitan rate by 2022-23.
- (m) Businesses with annual Australian group wages less than \$10 million will receive a non-refundable New jobs tax credit of 10 cents for every dollar of wages paid in 2020-21 and 2021-22 above the previous year's wages.
- (n) Full-year refunds and waivers of 2019-20 payroll tax liabilities for businesses with annual payrolls up to \$3 million.
- (o) Additional wages paid to employees under the Commonwealth's JobKeeper program are exempt from payroll tax.
- (p) This amount is in addition to the reduced payroll tax rate for regional employers above. Payroll tax relief for bushfire-affected regional employers enabling them to benefit immediately from the fully reduced regional employer rate of 1.2125 per cent announced in the 2019-20 Budget.
- (q) Victorian clubs who operate electronic gaming machines are entitled to a tax concession if they can demonstrate that a portion of their gaming revenue has been spent on community contributions. Until August 2022, this is 8.33 per cent of gaming revenue, with the concession set on a sliding scale thereafter.
- (r) The motor vehicle duty exemption on service demonstrator vehicles for licenced motor car traders announced in the 2019-20 Budget is not costed due to lack of available data to produce reliable estimates. Chapter 5, Tax expenditure and concessions only includes tax expenditures and concessions that can be costed.
- (s) From 1 July 2021, conventional hybrid vehicles will no longer be eligible for discounted vehicle registration.
- (t) Motor vehicle duty relief for affected vehicle owners of up to \$2 100 per replacement vehicle. Relief provided in 2019-20 was less than \$500 000 and appears as zero. Future relief is expected to be negligible and is rounded to zero.
- (u) This incorporates the change from a duty exemption to a concession for qualifying corporate reconstruction transactions from 1 July 2019.
- (v) The declining off-the-plan stamp duty expenditure for investors reflects the legislative amendment to restrict the concession to those who qualify for the principal place of residence or first home buyer stamp duty exemption or concession for contracts entered into on or after 1 July 2017.
- (w) The number of transactions by foreign purchasers is expected to fall throughout 2020-21 and 2021-22 resulting in fewer Foreign Purchaser Additional Duty concessions for corporations and trustees.
- (x) Includes supporting businesses to relocate, expand and recover in bushfire-affected areas by bringing forward the planned 50 per cent stamp duty concession for commercial and industrial properties in defined State of Disaster Local Government Areas and four Alpine Resorts from 1 July 2023 to 27 January 2020.
- (y) Includes supporting businesses to open, relocate and expand in regional Victoria by bringing forward the planned 50 per cent stamp duty concession for commercial and industrial properties in regional Victoria from 1 July 2023 to 1 January 2021.
- (z) This is the first year that the land transfer duty exemption for charities and friendly societies has been estimated.
- (aa) This is the first year that the land transfer duty exemption for family farms has been estimated.
- (ab) Land transfer duty waiver of up to 50 per cent of the duty otherwise payable on the purchase of residential property with a dutiable value of up to \$1 million.
- (ac) Land transfer duty relief of up to \$55 000 for bushfire-affected homeowners who purchase a replacement home elsewhere.
- (ad) Congestion levy waiver of 25 per cent of the 2020 levy for car park owners and operators.

Table 5.3 shows the ratio of tax expenditures to revenue by the main categories of tax in 2020-21. Overall, the ratio increases from 38 per cent in 2019-20 to 49 per cent in 2020-21. The overall ratio of estimated tax expenditures for 2020-21 is higher than estimates over the past decade, increasing from around 25 per cent in 2010-11.

Table 5.3: Estimated aggregate tax expenditures and tax revenue in 2020-21 (\$ million)

Description	Tax expenditure	Tax revenue	Ratio
Land tax	6 249	3 503	1.78
Payroll tax	2 357	5 377	0.44
Gambling tax	46	1 440	0.03
Motor vehicle taxes	205	2 735	0.07
Land transfer duties	1 185	4 554	0.26
Congestion levy	91	73	1.25
Fire Services Property Levy	30	709	0.04
Other/miscellaneous	..	2 538	..
Total for items estimated	10 162	20 928	0.49

Source: Department of Treasury and Finance

Table 5.4 estimates tax expenditures for groups of potential taxpayers based on the legal incidence of State taxes, which includes a number of temporary bushfire and coronavirus (COVID-19) relief measures. Businesses will receive significant relief through temporary tax expenditures provided in response to the coronavirus (COVID-19) pandemic. The largest beneficiaries of tax expenditures are owner-occupier households, mainly as a result of the principal place of residence being exempt from land tax. Revenue forgone from this group is expected to be around \$4.1 billion in 2020-21.

Table 5.4: Estimated aggregate tax expenditures classified by persons or entities affected (\$ million)

Description	2019-20	2020-21	2021-22	2022-23	2023-24
Business not elsewhere included ^(a)	1 379	1 450	1 176	972	860
Charitable, religious and educational institutions	927	900	930	964	1 026
Gambling clubs	68	46	79	78	78
Commonwealth and State governments	1 115	1 199	1 121	1 125	1 232
Local government	491	515	495	500	542
Hospitals	565	534	572	595	622
Pensioners/concession cardholders	269	263	275	294	310
Owner-occupier households	3 995	4 135	4 055	4 120	4 480
Off-the-plan stamp duty concession for investors	211	39	1	1	0
Primary producers	629	679	633	635	694
Sporting, recreation and cultural organisations	52	58	53	53	59
Other ^(a)	89	345	56	57	60
Total for items estimated	9 789	10 162	9 445	9 393	9 962

Source: Department of Treasury and Finance

Note:

(a) The variance is due to a significant proportion of temporary bushfire and coronavirus (COVID-19) relief measures in 2019-20 and 2020-21.

CONCESSIONS

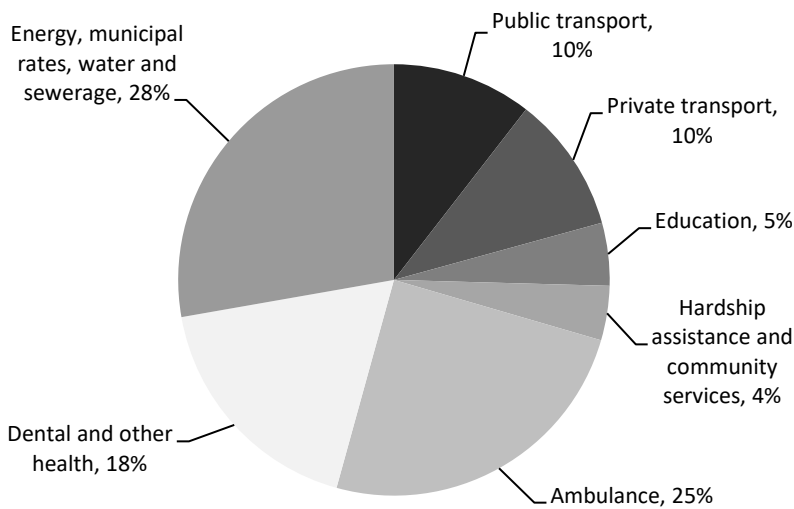
Concessions are direct budget outlays or reduced government charges that reduce the price of a good or service for particular groups. Over the past decade, the State has provided \$15.7 billion in concessions. In 2020-21, concessions are forecast to be about \$1.8 billion.

Certain characteristics of a consumer, such as possessing a Commonwealth Government pension card or health care card, can be the basis for such entitlements. Concessions allow certain groups in the community to access or purchase important public services such as energy, education, health and transportation at a reduced cost.

Chart 5.1 shows the estimated distribution of concessions by category for 2020-21. The two largest categories account for more than two-thirds of total concessions:

- health (including ambulance, dental and other health); and
- energy, municipal rates, water and sewerage.

Chart 5.1: Estimated concessions by category 2020-21



Source: Department of Treasury and Finance

Table 5.5 classifies the major concessions by category.

Eligible concession card holders receive reduced bills for energy, municipal rates, water and sewerage, funded by the State and paid to service providers.

Education concessions include concessions for preschool and for vocational education and training.

Hardship schemes include the Utility Relief Grants Scheme and payments to State Trustees through a Community Service Agreement. The Utility Relief Grants Scheme assists Victorians unable to pay utility bills due to temporary financial hardship. State Trustees provide trustee services, including managing the legal and financial affairs of Victorians unable to do so independently.

The social and community services category includes assistance to not-for-profit organisations such as Bereavement Assistance Limited, the Charity Freight Service and food relief organisations.

Private transport concessions consist of a discount on Transport Accident Commission premiums, funding of the Multi-Purpose Taxi Program and Veterans package for ANZAC day.

Table 5.5: Concessions by category

(\$ million)

<i>Description</i>	<i>2019-20</i>	<i>2020-21</i>
Electricity ^(a)	142	146
Mains gas	67	69
Municipal rates	98	100
Water and sewerage	173	175
Total energy, municipal rates, water and sewerage	479	490
Ambulance	425	437
Dental services and spectacles ^(b)	165	196
Community health programs ^(c)	129	120
Total health	719	754
Education	71	83
Hardship schemes	60	63
Social and community services	9	9
Private transport	174	181
Public transport	177	185
Total for items estimated	1 688	1 765

Source: Department of Treasury and Finance

Notes:

- (a) The \$250 Power Saving Bonus initiative being made available to households with at least one JobSeeker recipient, youth allowance recipient or pensioner which use the Victorian Energy Compare website to search for the cheapest electricity deal, and further support to frontline community workers to assist with targeted support to vulnerable households, are not included in these totals because they are one-off supports available to eligible households.
- (b) The variance primarily reflects the full year impact in 2020 of the free dental care for government school students initiative.
- (c) Actual expenditure in 2019-20 is higher than previous years due to the coronavirus (COVID-19) testing blitz. The 2020-21 Budget includes additional funding for budget initiatives.

CHAPTER 6 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

This chapter contains information on contingent assets and liabilities for the general government sector and should be read in conjunction with Chapter 1.

CONTINGENT ASSETS

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable. Table 6.1 contains quantifiable contingent assets as at 12 November 2020.

Table 6.1: Quantifiable contingent assets (\$ million)

	As at Oct 2020 ^(a)	As at Nov 2020
Guarantees, indemnities and warranties	66	61
Legal proceedings and disputes	16	16
Other	45	46
Total contingent assets	127	123

Source: Department of Treasury and Finance

Note:

(a) As published in the 2019-20 Financial Report.

Non-quantifiable contingent assets

Peninsula Link compensable enhancement claim

The EastLink Concession Deed contains compensable enhancement provisions that enable the State to claim 50 per cent of any additional revenue derived by ConnectEast Pty Ltd (ConnectEast) as a result of certain events that particularly benefit EastLink, including changes to the adjoining road network.

On 2 January 2014, the State lodged a compensable enhancement claim as a result of opening Peninsula Link. The claim remains outstanding.

CONTINGENT LIABILITIES

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

Table 6.2 contains quantifiable contingent liabilities as at 12 November 2020.

Table 6.2: Quantifiable contingent liabilities (\$ million)

	As at Oct 2020 ^(a)	As at Nov 2020
Guarantees, indemnities and warranties ^(b)	834	887
Legal proceedings and disputes	238	339
Other	144	135
Non-general government debt ^(c)	14 731	15 297
Total contingent liabilities	15 947	16 658

Source: Department of Treasury and Finance

Notes:

(a) As published in the 2019-20 Financial Report.

(b) Guarantees, indemnities and warranties include loans provided by the Treasury Corporation of Victoria to entities other than the State of Victoria and participating authorities, subject to the provision of a guarantee by the Treasurer.

(c) Mainly represents the guarantee of borrowings provided by the Treasurer for the public sector borrowings portfolio. Expected losses under any financial guarantees are recorded as financial liabilities in the balance sheet.

Non-quantifiable contingent liabilities

A number of potential obligations are non-quantifiable at this time arising from:

- indemnities relating to transactions, including financial arrangements and consultancy services, as well as for directors and administrators;
- performance guarantees, warranties, letters of comfort and the like;
- deeds in respect of certain obligations; and
- unclaimed monies, which may be subject to future claims by the general public against the State.

An overview of the more significant non-quantifiable liabilities is outlined below.

AgriBio Centre for AgriBioscience (formerly known as The Biosciences Research Centre)

The quarterly service fee payment obligations of the AgriBio Centre for AgriBioscience on behalf of the joint venture participants (Department of Jobs, Precincts and Regions and La Trobe University) are backed by the State of Victoria under a State Support Deed. Under this Deed, the State ensures that the joint venture participants have the financial capacity to meet their payment obligations to Biosciences Research Centre Pty Ltd (BRC), thereby enabling BRC to meet its obligations to pay the service fee to the concessionaire under the project agreement. The State underwrites the risk of any default by BRC.

Cladding rectification

The 2014 fire at the Lacrosse apartment building in Melbourne's Docklands and the 2017 Grenfell fire in London highlighted the fire safety risks from the non-compliant use of exterior cladding on buildings. Subsequent investigations and the 2019 fire at the Neo200 Tower on Spencer Street have highlighted that dangerous materials have been used on some buildings throughout Victoria.

The Victorian Government Cladding Taskforce continues to investigate the extent of non-compliant cladding on buildings statewide.

On behalf of the Cladding Taskforce, the Victorian Building Authority has undertaken a building audit to assess the extent of non-compliant cladding on buildings.

The building audit has identified a number of buildings that require rectification. These buildings are being risk-assessed to inform the extent of rectification works required. The Government has committed funding for cladding rectification initiatives.

Department of Education and Training

The Department has a number of non-quantifiable contingent liabilities, arising from indemnities provided by it, as follows:

- volunteer school workers and volunteer student workers: the *Education and Training Reform Act 2006* provides indemnity for personal injuries or death (and at the discretion of the Minister, for property damage) suffered by volunteer school workers and volunteer student workers arising out of or in the course of engaging in school work or community work respectively;
- teaching service and public service employees: if a departmental employee is named as a defendant in a civil proceeding (for example, personal injury, discrimination or employment claim), any costs and damages will generally be paid by the Department provided the employee was not under the influence of illicit drugs or alcohol or engaging in a criminal offence and the behaviour was not outrageous and was related to their employment;
- board members: the *Education and Training Reform Act 2006* requires the State to indemnify a member of a Merit Protection Board or a Disciplinary Appeals Board for anything done or omitted to be done in good faith in the exercise of a power or the discharge of their statutory duties; and

- school councils: the *Education and Training Reform Act 2006* requires the Department to indemnify individual members of school councils for any legal liability, whether in contract, negligence or defamation, if they acted in good faith and in the exercise of their powers or functions. The Department may decide to indemnify school councils (which are separate entities to the Department) in claims of common law negligence, employment disputes and other civil claims, for the cost of settlement and/or legal representation. The Department will take into account the impact of payment upon the school's educational program and any insurance cover for the school council, and will likely indemnify if the Department is satisfied that:
 - the school council acted in good faith and according to issued guidelines and directions; and
 - the school council has insufficient funds to pay the claim.

National Redress Scheme – sexual abuse of children in institutions

On 13 June 2018, the *National Redress Scheme for Institutional Child Sexual Abuse (Commonwealth Powers) Act 2018* commenced.

The Act refers powers to the Commonwealth Parliament to ensure that Victorian institutions can participate in the National Redress Scheme. The National Redress Scheme commenced on 1 July 2018 and will run for 10 years. The Scheme will deliver a financial payment of up to \$150 000, access to psychological counselling and an apology from the responsible institution to eligible survivors of institutional child abuse. This implements a recommendation of the Victorian Parliamentary Inquiry Betrayal of Trust report and the Royal Commission into Institutional Responses to Child Sexual Abuse.

The Government has set aside funding in the budget estimates over the next 10 years for redress. Due to the historical nature of the abuse in question, the precise number of eligible survivors of abuse is difficult to estimate. Consequently, the exact financial implications for Victoria remain uncertain.

Public acquisition overlays for the future development of rail and road infrastructure

Public acquisition overlays are in place to reserve certain areas of land for future development of rail and road infrastructure. Under section 98 of the *Planning and Environment Act 1987*, the State has a legislative responsibility to compensate eligible land and property owners who face either:

loss on sale: an eligible landowner is entitled to compensation for the incremental loss on sale when a property affected by a public acquisition overlay is sold for less than its market value; or

financial loss: the entitlement to financial loss compensation is triggered when a development permit is refused because the property is required for a public purpose.

Compensation and purchase claims occur as a result of claims by land owners. The future liability depends on factors, including the number of claims received and the prevailing value of land at the time the claim is made, which cannot be reliably quantified.

Public transport rail partnership agreements

The Department of Transport (DoT) is party to contractual arrangements with franchisees to operate metropolitan rail transport services across the State, from 30 November 2017 until 30 November 2024. The major contingent liabilities arising in the event of early termination or expiry of the contract are:

partnership assets: to maintain continuity of services, at early termination or expiry of the franchise contract, assets will revert to DoT or a successor. In the case of some assets, a reversion back to DoT would entail those assets being purchased; and

unfunded superannuation: at the early termination or expiry of the contract, DoT will assume any unfunded superannuation amounts (apart from contributions the operator is required to pay over the contract term) to the extent that the State becomes the successor operator.

Firefighters' Presumptive Rights Compensation and Fire Services Legislation Amendment (Reform) Act 2019

The *Firefighters' Presumptive Rights Compensation and Fire Services Legislation Amendment (Reform) Act 2019* (Act) was assented to on 2 July 2019.

Part 2 of the Act, which came into operation on 3 July 2019, provides for the establishment and operation of the Firefighters' Presumptive Rights Compensation scheme for both career and volunteer firefighters. At the time of the preparation of this report, it is impractical to quantify any possible contingent liabilities for the State arising from the scheme.

Fiskville independent investigation and closure of training college

An independent investigation was undertaken into the historical use of chemicals for live firefighting training at Fiskville Training College (Fiskville) between 1971 and 1999. The report of the independent investigation has been released and the Country Fire Authority (CFA) has accepted all of the facts, recommendations and conclusions and is committed to implementing all recommendations.

In August 2012, the CFA established a program office to manage the implementation of the report's recommendations and an additional 11 management initiatives to which the CFA Board committed in its response to the report.

On 26 March 2015, the Government announced the permanent closure of Fiskville. Fiskville and Victorian Emergency Management Training Centre training grounds owned by the CFA at Penshurst, Bangholme, West Sale, Wangaratta, Huntly, and Longerenong have been the subject of notices issued by the Environment Protection Authority Victoria (EPA).

The Government's response to the Fiskville Inquiry was tabled in Parliament on 24 November 2016. The response supported all of the 31 recommendations of the Victorian Parliamentary Inquiry into the CFA Training College at Fiskville, either in full, in principle or in part.

The CFA has a number of contingent liabilities arising from the closure of Fiskville and the notices issued by the EPA. These relate to any further notices that may be issued by the EPA, any regulatory infringements that may be imposed by the EPA, compensation that may be sought, any legal claims that may be made, and recommendations made by the inquiry.

At this stage it is impractical to quantify the financial effects of these contingent liabilities.

Compulsory property acquisitions

The State has compulsorily acquired a number of properties (residential and commercial) through the *Land Acquisition and Compensation Act 1986* to facilitate delivery of various projects. Possible future claims for compensation arising from the compulsory acquisition of these properties cannot be quantified at this stage.

Land remediation – environmental concerns

In addition to properties for which remediation costs have been provided in the State's financial statements, certain other properties have been identified as potentially contaminated sites. The State does not admit any liability in respect of these sites. However, remedial expenditure may be incurred to restore the sites to an acceptable environmental standard in the event contamination is identified.

Native Title

A number of claims have been filed in the Federal Court under the Commonwealth *Native Title Act 1993* that affect Victoria. It is not feasible at this time to quantify any future liability.

Royal Melbourne Showgrounds redevelopment

The State has entered into an agreement through the State Support Deed – Non-Core Land with Showgrounds Retail Developments Pty Ltd and the RASV whereby the State agrees to support certain payment obligations of RASV that may arise under the Non-Core Development Agreement.

Victorian Managed Insurance Authority – insurance cover

The Victorian Managed Insurance Authority (VMIA) was established in 1996 as an insurer for State government departments, participating bodies and other entities as defined under the *Victorian Managed Insurance Authority Act 1996*. The VMIA insures its clients for property, public and products liability, professional indemnity, contract works and domestic building insurance for Victorian residential builders.

The VMIA reinsures in the private market for losses above \$50 million arising out of any one occurrence, up to a limit of \$950 million for public and products liability, a limit of \$400 million for professional indemnity, and a limit of \$3.6 billion for property. For acts of terrorism, the VMIA reinsures in the private market for losses above \$10 million arising out of any one event, up to a limit of \$1.5 billion. The risk of losses above these reinsured levels is borne by the State.

The VMIA also insures the Department of Health and Human Services for all public sector medical indemnity claims incurred in each policy year from 1 July 2003, regardless of when claims are finally settled. Under the indemnity deed to provide stop-loss protection for the VMIA, the Department of Treasury and Finance has agreed to reimburse the VMIA if the ultimate claims payouts in any policy year from 1 July 2003 exceed the initial estimate, on which the risk premium was based, by more than 20 per cent.

Coronavirus (COVID-19) class action – Victorian businesses

A class action has been filed in the Supreme Court of Victoria against the State of Victoria, the Ministers for Health and Jobs, and the Secretaries of the Department of Health and Human Services (DHHS) and the Department of Jobs, Precincts and Regions (DJPR) relating to losses suffered by Victorian businesses under stage 3 and 4 public health restrictions. The VMIA has been notified of this proceeding. VMIA's Combined Liability Policy will respond.

At this stage it is impractical to quantify the financial effects of this contingent liability.

Coronavirus (COVID-19) class action – Victorian residents

A class action has been filed in the Supreme Court of Victoria against the State of Victoria, the Ministers for Health and Jobs, and the Secretaries of DHHS and DJPR, relating to psychological and psychiatric injury suffered by Victorian residents under stage 3 and 4 public health restrictions. The VMIA has been notified of this proceeding. VMIA's Combined Liability Policy will respond.

At this stage it is impractical to quantify the financial effects of this contingent liability.

Coronavirus (COVID-19) related claim notifications

The Department of Transport received notifications under the contractual agreements by the contractors in relation to the possible impact of the coronavirus (COVID-19) pandemic on a number of projects. Possible future claims cannot be reliably estimated at this stage as quantifiable claims have not yet been provided under the contract.

At this stage it is impractical to quantify the financial effects of this contingent liability.

2019-2020 Victorian bushfires

During the period December 2019 to February 2020, Victoria experienced significant loss and damage to homes, farms, properties, community assets, roads and other infrastructure as a result of several large bushfires across parts of Victoria, including East Gippsland and North East Victoria.

In order to minimise the environmental, social and economic impact of the bushfires, a State-coordinated clean-up program was activated in January 2020 with a single contractor, Grocon Constructors Pty Ltd (Grocon).

The Government has agreed to demolish, remove and safely dispose of all applicable buildings destroyed or damaged beyond repair, regardless of insurance arrangements and is contributing towards the cost of the clean-up.

The costs of the clean-up will be jointly shared with the Commonwealth Government under the Commonwealth – State Disaster Recovery Funding Arrangements. At this stage it is impractical to accurately quantify the financial effects of these liabilities.

Southern Cross Station target capacity threshold

The State has a possible liability relating to a claim from a contractor responsible for operating and maintaining Southern Cross Station. The claim relates to patronage levels at the station and the contract provides a process to assess whether modifications to the station, compensation to the contractor or changes to the service standards are required. The claim is being considered and the financial effect is yet to be determined.

The Royal Commission into the Management of Police Informants

The Royal Commission into the Management of Police Informants commenced hearings in February 2019. The Commissioner presented a Progress Report to the Governor of Victoria on 1 July 2019.

In May 2020, the time for the Commission to hand its report and recommendations to the Governor was extended until 30 November 2020. Victoria Police anticipates it may receive claims for compensation. Victoria Police will assess any litigation as it arises.

At this stage it is impractical to quantify the financial effects of these contingent liabilities.

Planning scheme compensation

Under section 98 of the *Planning and Environment Act 1987*, the owner or occupier of any land may claim compensation from the planning authority for financial loss suffered as the natural, direct and reasonable consequence of the land being reserved, or declared as reserved for a public purpose under a planning scheme.

Any future liability depends on a number of factors and cannot be reliably quantified.

Metro Tunnel Project – tunnel and stations

To facilitate delivery of the Metro Tunnel Project, the State and the Cross Yarra Partnership (CYP) reached financial close on 18 December 2017 for delivery of the Tunnel and Stations Public-Private Partnership (T&S PPP). This PPP has been reported as a service concession arrangement and all current commitments disclosed in Note 5.4 of the *2019-20 Financial Report*.

On 30 June 2020, a Commercial Principles deed was signed between the parties to record a set of agreed non-binding principles to resolve project issues that have arisen during delivery. Agreed commercial outcomes are expected to be formalised in amending deed(s) that have not been signed at the date of this report. It is expected that the cost to complete the project will exceed the planned cost as agreed in December 2017. The State may incur additional liabilities to those disclosed in Note 5.1 of Chapter 4 in the *2019-20 Financial Report* to meet some of these additional costs and may receive additional value from the project in return. Details of the non-binding principles and the estimated financial impacts are not separately disclosed in order to not prejudice the State's interests or any other interested party in these ongoing negotiations.

APPENDIX A – PUBLIC ACCOUNT

The Public Account is the Government's official bank account. The Public Account holds the cash balances of the Consolidated Fund and the Trust Fund. The State's financial transactions on the Public Account are recorded in the public ledger.

The *Financial Management Act 1994* (FMA), among other things, provides for:

- temporary advances from the Public Account for a number of purposes related to the needs of the Government;
- investment of the Public Account in trustee securities; and
- temporary borrowings, should the balance in the Consolidated Fund be insufficient to meet commitments during a financial year.

Consolidated Fund

The Consolidated Fund established by the FMA is the Government's primary financial account and receives all consolidated revenue under the *Constitution Act 1975* from which payments, appropriated by Parliament, are made.

The Trust Fund

Within the Public Account, the Trust Fund includes a range of specific purpose accounts from which funds may be expended without parliamentary appropriation. Examples include accounts to record specific purpose payments from the Commonwealth for on-passing by the State to third parties, suspense account balances for accounting purposes, working accounts for commercial and departmental service units, and accounts facilitating the receipt and disbursement of private funds held by the State in trust. Additional accounts may also be established within the Trust Fund to receive State revenues hypothecated to particular purposes (e.g. lotteries revenue for hospitals and charities).

A.1 The Consolidated Fund

Estimated receipts and payments for the year ending 30 June 2020 and 30 June 2021

(\$ million)

	2019-20 budget	2020-21 budget	Variation %
Receipts			
Taxation	24 437	19 734	(19.2)
Fines and regulatory fees	922	1 080	17.2
Grants received	22 871	19 597	(14.3)
Sales of goods and services (including section 29 FMA annotated)	7 480	8 252	10.3
Interest received	484	478	(1.3)
Dividends, income tax equivalent and rate equivalent receipts	751	421	(43.9)
Other receipts	665	699	5.1
Total operating activities	57 610	50 261	(12.8)
Total cash inflows from investing and financing	9 172	42 701	365.5
Total receipts	66 783	92 963	39.2
Payments			
Special appropriations	5 361	5 909	10.2
Appropriations ^(a)			
Provision of outputs	48 941	61 594	25.9
Additions to the net asset base	7 687	10 833	40.9
Payments made on behalf of the State	8 649	17 910	107.1
Receipts credited to appropriation			
Provision of outputs	2 129	2 770	30.1
Additions to the net asset base	276	470	70.3
Sub total	73 043	99 486	36.2
Appropriations remaining unspent	(1 087)	(1 331)	22.5
Total payments	71 956	98 155	36.4
Net receipts/(payments)	(5 174)	(5 192)	0.4
Opening balance 1 July	516	961	86.1
Estimated closing balance 30 June	(4 657)	(4 231)	(9.1)

Source: Department of Treasury and Finance

Note:

(a) Includes unapplied appropriations carried over from the previous year.

A.2 Consolidated Fund receipts

(\$ thousand)

	2019-20 budget	2020-21 budget	Variation %
Operating receipts			
Taxation			
Payroll tax	7 239 981	4 557 984	(37.0)
Land tax	3 495 718	3 632 064	3.9
Fire Services Property Levy	709 049	709 049	..
Congestion levy	101 326	87 677	(13.5)
Gambling taxes	1 849 986	1 324 861	(28.4)
Financial and capital transactions			
Land transfer duty	5 901 396	4 562 312	(22.7)
Other property duties	..	17	n.a.
Growth areas infrastructure contribution	124 963	139 889	11.9
Metropolitan Planning Levy	22 417	16 398	(26.8)
Financial accommodation levy	178 007	162 479	(8.7)
Levies on statutory corporations	156 609	172 500	10.1
Insurance	1 479 344	1 519 621	2.7
Motor vehicle			
Registration fees pursuant to the <i>Road Safety Act</i> , No. 127 of 1986	1 797 269	1 897 072	5.6
Stamp duty on vehicle transfers	1 029 361	850 435	(17.4)
Liquor licence fees	25 794	..	(100.0)
Other taxes	325 664	101 666	(68.8)
Total	24 436 885	19 734 023	(19.2)
Fines and regulatory fees			
Fines	377 597	401 499	6.3
Regulatory fees	544 112	678 774	24.7
Total	921 709	1 080 273	17.2
Grants received			
Grants received by department			
Department of Education and Training	8 178	7 500	(8.3)
Department of Environment, Land, Water and Planning	150	211	40.9
Department of Health and Human Services	44 041	93 448	112.2
Department of Jobs, Precincts and Regions	..	40	..
Department of Justice and Community Safety	..	582	..
Department of Premier and Cabinet	..	..	..
Department of Transport	..	730	..
Department of Treasury and Finance	22 818 519	19 494 915	(14.6)
Parliament	..	..	..
Total	22 870 887	19 597 427	(14.3)
Sales of goods and services	7 480 372	8 251 977	10.3
Interest received	484 259	477 727	(1.3)
Dividends, income tax equivalent and rate equivalent receipts			
Dividends	517 018	184 345	(64.3)
Income tax equivalent receipts	226 527	229 758	1.4
Local government tax equivalent receipts	7 004	6 862	(2.0)
Total	750 549	420 965	(43.9)

A.2 Consolidated Fund receipts (*continued*)

(\$ thousand)

	2019-20 <i>budget</i>	2020-21 <i>budget</i>	Variation %
Other receipts			
Land rent received	16 657	18 473	10.9
Royalties received	109 423	137 887	26.0
Other	539 381	542 724	0.6
Total	665 461	699 084	5.1
Total operating activities	57 610 122	50 261 475	(12.8)
Cash inflows from investing and financing			
Proceeds from sale of investments	114 045	34 913	(69.4)
Other loans	642	642	..
Return of capital – government entities	1 370 555	532 700	(61.1)
Borrowings	7 687 201	42 132 981	448.1
Total cash inflows from investing and financing	9 172 443	42 701 236	365.5
Total Consolidated Fund receipts	66 782 565	92 962 711	39.2

Source: Department of Treasury and Finance

A.3 Consolidated Fund appropriations – summary

(\$ thousand)

	2019-20 budget	2020-21 budget	Variation %
Education and Training			
Special appropriations	6 783	6 013	(11.4)
Annual appropriations	15 489 849	17 583 546	13.5
Total	15 496 632	17 589 559	13.5
Environment, Land, Water and Planning			
Special appropriations	159 434	164 846	3.4
Annual appropriations	2 624 587	3 289 351	25.3
Total	2 784 021	3 454 197	24.1
Health and Human Services			
Special appropriations	1 590 928	1 282 102	(19.4)
Annual appropriations	16 710 441	20 909 460	25.1
Total	18 301 369	22 191 562	21.3
Jobs, Precincts and Regions			
Special appropriations	1 775	28 784	1521.6
Annual appropriations	2 424 441	6 723 903	177.3
Total	2 426 216	6 752 687	178.3
Justice and Community Safety			
Special appropriations	102 372	137 941	34.7
Annual appropriations	8 715 279	10 260 843	17.7
Total	8 817 651	10 398 784	17.9
Premier and Cabinet			
Special appropriations	50 268	101 044	101.0
Annual appropriations	611 078	684 180	12.0
Total	661 346	785 224	18.7
Transport			
Special appropriations	828 046	1 125 463	35.9
Annual appropriations	12 114 556	15 515 719	28.1
Total	12 942 601	16 641 182	28.6
Treasury and Finance			
Special appropriations	2 351 014	2 746 962	16.8
Annual appropriations	8 253 844	17 681 560	114.2
Total	10 604 859	20 428 522	92.6
Parliament			
Special appropriations	49 642	74 766	50.6
Annual appropriations	194 451	285 118	46.6
Total	244 093	359 884	47.4
Courts			
Special appropriations	220 851	241 383	9.3
Annual appropriations	543 585	642 881	18.3
Total	764 437	884 264	15.7
Total special appropriations	5 361 113	5 909 303	10.2
Total annual appropriations	67 682 111	93 576 560	38.3
Total appropriations ^(a)	73 043 225	99 485 863	36.2

Source: Department of Treasury and Finance

Note:

(a) Includes receipts credited to appropriation and unapplied previous year appropriations carried over.

A.4 Consolidated Fund payments – special appropriations ^(a)

(\$ thousand)

	2019-20 budget	2020-21 budget	Variation %
Education and Training			
<i>Education and Training Reform Act No. 24/26 of 2006, Section 5.6.8</i>	283	283	..
– Volunteer Workers Compensation			
<i>Financial Management Act No. 18 of 1994, Section 10 –</i>	..	5 730	n.a.
Appropriation of Commonwealth grants			
<i>Financial Management Act No. 18 of 1994, Section 33 –</i>	6 500	..	(100)
Appropriation to meet certain obligations ^(a)			
Total	6 783	6 013	(11)
Environment, Land, Water and Planning			
<i>Financial Management Act No. 18 of 1994, Section 33 –</i>	19 913	24 957	25
Appropriation to meet certain obligations ^(a)			
Payments to Building New Communities Fund pursuant to Section 201V of the <i>Planning and Environment Act No. 45 of 1987</i>	69 761	69 944	..
Payments to Growth Areas Public Transport Fund pursuant to Section 201V of the <i>Planning and Environment Act No. 45 of 1987</i>	69 761	69 944	..
Total	159 434	164 846	3
Health and Human Services			
<i>Casino Control Act No. 47 of 1991, Section 114 – Hospitals and Charities Fund</i>	18 541	9 074	(51)
<i>Financial Management Act No. 18 of 1994, Section 10 –</i>	..	22 409	n.a.
Appropriation of Commonwealth grants			
<i>Financial Management Act No. 18 of 1994, Section 33 –</i>	132 209	170 537	29
Appropriation to meet certain obligations ^(a)			
<i>Gambling Regulation Act No. 114 of 2003, Sections 4.4.11 and 4.6.8</i>	106 000	123 395	16
– Hospitals and Charities Fund			
<i>Gambling Regulation Act No. 114 of 2003, Section 3.6.11 –</i>	905 550	442 295	(51)
Hospitals and Charities Fund and Mental Health Fund			
<i>Gambling Regulation Act No. 114 of 2003, Section 5.4.6 –</i>	421 719	512 248	21
Hospitals and Charities Fund and Mental Health Fund			
<i>Gambling Regulation Act No. 114 of 2003, Section 6A.4.4(1) –</i>	6 910	2 144	(69)
Contributions to Hospital and Charities Fund and Mental Health Fund			
Total	1 590 928	1 282 102	(19)
Jobs, Precincts and Regions			
<i>Financial Management Act No. 18 of 1994, Section 10 –</i>	1 775	..	(100)
Appropriation of Commonwealth grants			
<i>Financial Management Act No. 18 of 1994, Section 33 –</i>	..	28 784	n.a.
Appropriation to meet certain obligations ^(a)			
Total	1 775	28 784	1 522
Justice and Community Safety			
<i>Crown Proceedings Act No. 6232</i>	5 763	5 907	2.5
<i>EastLink Project Act No. 39 of 2004, Section 26</i>	2 309	2 424	5.0
<i>Emergency Management Act No 30 of 1986, Section 32 –</i>	356	1 400	293.3
Volunteer Workers Compensation			
<i>Financial Management Act No. 18 of 1994, Section 10 –</i>	..	3 341	n.a.
Appropriation of Commonwealth grants			

A.4 Consolidated Fund payments – special appropriations (continued)

(\$ thousand)

	2019-20 budget	2020-21 budget	Variation %
<i>Financial Management Act No. 18 of 1994, Section 33 - Appropriation to meet certain obligations ^(a)</i>	16 636	23 375	40.5
<i>Melbourne City Link, Act No. 107 of 1995, Section 14(4)</i>	3 380	3 464	2.5
<i>National Redress Scheme for Institutional Child Sexual Abuse (Commonwealth Powers) Act 2018 Act No 21 of 2018 Section 11 (a): Payments to the Commonwealth</i>	67 750	90 332	33.3
<i>National Redress Scheme for Institutional Child Sexual Abuse (Commonwealth Powers) Act 2018 Act No 21 of 2018 Section 11 (b): Provision of Counselling and Psychological Services</i>	3 148	4 198	33.4
<i>National Redress Scheme for Institutional Child Sexual Abuse (Commonwealth Powers) Act 2018 Act No 21 of 2018 Section 11 (c): State Administration Costs</i>	1 817	2 260	24.4
<i>Victoria State Emergency Service Act No. 51 of 2005, Section 52 – Volunteer Workers Compensation</i>	972	996	2.5
<i>Work Cover Authority Fund, Corrections Act 1986, part 9D, S.104ZW</i>	241	244	1.2
Total	102 372	137 941	34.7
Premier and Cabinet			
<i>Constitution Act No. 8750 – Executive Council</i>	50	50	..
<i>Constitution Act No. 8750 – Governor's Salary</i>	317	515	62.3
<i>Electoral Act No. 23 of 2002, Section 215 – Electoral Entitlement</i>	..	12 760	n.a.
<i>Electoral Act No. 23 of 2002, Section 181 – Electoral Expenses</i>	49 309	82 019	66.3
<i>Inquiries Act No. 67 of 2014, Section 58 – Expenses and financial obligations of Board of Inquiry</i>	..	5 700	n.a.
<i>Ombudsman Act No. 8414</i>	593	..	(100.0)
Total	50 268	101 044	101.0
Transport			
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth grants</i>	351 209	642 143	82.8
<i>Transport (Compliance and Miscellaneous) Act, Section 213A(4)</i>	2 000	2 000	..
<i>Business Franchise (Petroleum Products) Act, No.9272 of 1979, Section 13</i>	474 837	481 320	1.4
Total	828 046	1 125 463	35.9
Treasury and Finance			
<i>Constitution Act No. 8750 – Governors Pension</i>	1 748	1 800	3.0
<i>Constitution Act No. 8750 – Judges of the Supreme Court</i>	13 017	13 408	3.0
<i>County Court Act No. 6230 – Judges</i>	17 914	18 451	3.0
<i>Essential Services Commission Act No. 61 of 2001, Section 540 – Refund of Penalty</i>	200	200	..
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	..	5 245	n.a.
<i>Financial Management Act No. 18 of 1994, Section 39 – Interest on Advances</i>	20 000	20 000	..
<i>Gambling Regulation Act No. 114 of 2003, Section 3.6.12 – Community Support Fund</i>	149 913	149 913	..
<i>Gambling Regulation Amendment (Wagering and Betting) Act 2018, Section 4.6A.5</i>	19 900	20 400	2.5

A.4 Consolidated Fund payments – special appropriations (continued)

(\$ thousand)

	2019-20 budget	2020-21 budget	Variation %
<i>Liquor Control Reform Act No. 94 of 1998, Section 177(2)</i>	3 500	3 500	..
<i>State Superannuation Act No. 50 of 1988, Section 90(2) – Contributions</i>	1 122 123	1 114 734	(0.7)
<i>Taxation Administration Act 1997, Section 121 – Funding for court costs awarded against the Commissioner of State Revenue</i>	1 000	397 200	n.a.
<i>Taxation (Interest on Overpayments) Act No. 35 of 1986, Section 11</i>	1 000	1 000	..
<i>Treasury Corporation of Victoria Act No. 80 of 1992, Section 38 – Debt Retirement</i>	1 000 700	1 000 700	..
<i>Gambling Regulation Act No.114/2003 Section 4.6A.5A – Anzac Day Proceeds Fund</i>	..	410	n.a.
Total	2 351 014	2 746 962	16.8
Parliament			
<i>Audit Act No. 2 of 1994, Section 17(3) – Audit of Auditor-Generals Office</i>	25	25	..
<i>Constitution Act No. 8750 – Clerk of the Parliaments</i>	2	2	..
<i>Constitution Act No. 8750 – Legislative Assembly</i>	550	550	..
<i>Constitution Act No. 8750 – Legislative Council</i>	200	200	..
<i>Constitution Act No. 8750, Section 94A – Auditor General's Salary</i>	587	601	2.4
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	..	18 808	n.a.
<i>Ombudsman Act No. 8414</i>	..	607	
<i>Parliamentary Salaries and Superannuation Act No. 7723 – Salaries and Allowances</i>	38 978	44 673	14.6
<i>Parliamentary Salaries, Allowances and Superannuation Act, No.7723 of 1968, Section 13(1) – Contributions</i>	9 300	9 300	..
Total	49 642	74 766	50.6
Courts			
<i>Constitution Act No. 8750 – Chief Justice</i>	889	929	4.5
<i>Constitution Act No. 8750 – Judges Court of Appeal</i>	8 565	8 949	4.5
<i>Constitution Act No. 8750 – Judges of the Supreme Court</i>	29 934	31 010	3.6
<i>Constitution Act No. 8750 – President Court of Appeal</i>	715	748	4.6
<i>County Court Act No. 6230 – Judges</i>	41 921	44 318	5.7
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	..	9 806	n.a.
<i>Juries Act No. 53 of 2000, Section 59 – Compensation to Jurors</i>	29	31	5.8
<i>Magistrates Court Act No. 51 of 1989</i>	73 946	78 276	5.9
<i>Victims of Crime Assistance Act No. 81 of 1996, Section 69 – Awards</i>	43 076	44 153	2.5
<i>Victims of Crime Assistance Act No. 81 of 1996, Section 69 – Expenses</i>	3 567	3 711	4.0
<i>Victorian Civil and Administrative Tribunal Act 53 of 1998, Section 17AA</i>	18 209	19 235	5.6
<i>Constitution Act No. 8750 - Section 87AAT(5) – Judicial Commission investigating panel members</i>	..	218	n.a.
Total	220 851	241 383	9.3
Total special appropriations	5 361 113	5 909 303	10.2

Source: Department of Treasury and Finance

Note:

(a) Relates to previously applied appropriations.

A.5 Consolidated Fund payments – total annual appropriations ^(a)

Details of total annual appropriations for 2020-21 are outlined below, including approved amounts of unapplied 2019-20 appropriation carried forward pursuant to Section 32 of the FMA and certain revenue and asset sales proceeds credited to appropriation pursuant to Section 29 of the FMA. Estimates for the *2020-21 Budget* are in **bold**. Estimates for the *2019-20 Budget* in *italics* reflect amounts published in the *2019-20 Budget*.

(\$ thousand)

	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Education and Training				
Appropriation ^(b)	15 565 790	1 144 939	..	16 710 729
	<i>13 968 306</i>	<i>902 865</i>	..	<i>14 871 171</i>
Receipts credited to appropriation ^(c)	650 367	7 500	..	657 867
	<i>610 500</i>	<i>8 178</i>	..	<i>618 678</i>
Unapplied previous year appropriation carried over ^(d)	57 452	157 498	..	214 950

Total appropriation	16 273 609	1 309 937	..	17 583 546
	<i>14 578 806</i>	<i>911 043</i>	..	<i>15 489 849</i>
Environment, Land, Water and Planning				
Appropriation ^(b)	2 092 086	271 863	685 136	3 049 085
	<i>1 566 928</i>	<i>196 810</i>	<i>717 546</i>	<i>2 481 284</i>
Receipts credited to appropriation ^(c)	171 762	50 200	..	221 962
	<i>143 304</i>	..	..	<i>143 304</i>
Unapplied previous year appropriation carried over ^(d)	15 971	2 334	..	18 305

Total appropriation	2 279 818	324 397	685 136	3 289 351
	<i>1 710 232</i>	<i>196 810</i>	<i>717 546</i>	<i>2 624 587</i>
Health and Human Services				
Appropriation ^(b)	19 262 411	611 656	66 771	19 940 838
	<i>15 590 526</i>	<i>261 597</i>	<i>63 852</i>	<i>15 915 975</i>
Receipts credited to appropriation ^(c)	899 782	24 149	..	923 931
	<i>785 134</i>	<i>9 331</i>	..	<i>794 465</i>
Unapplied previous year appropriation carried over ^(d)	44 692	..	..	44 692

Total appropriation	20 206 884	635 805	66 771	20 909 460
	<i>16 375 660</i>	<i>270 929</i>	<i>63 852</i>	<i>16 710 441</i>
Jobs, Precincts and Regions				
Appropriation ^(b)	6 253 233	270 062	74 454	6 597 749
	<i>1 884 530</i>	<i>367 069</i>	<i>75 245</i>	<i>2 326 844</i>
Receipts credited to appropriation ^(c)	108 692	..	..	108 692
	<i>97 597</i>	..	..	<i>97 597</i>
Unapplied previous year appropriation carried over ^(d)	4 752	12 710	..	17 462

Total appropriation	6 366 677	282 772	74 454	6 723 903
	<i>1 982 126</i>	<i>367 069</i>	<i>75 245</i>	<i>2 424 441</i>

A.5 Consolidated Fund payments – total annual appropriations (continued)

	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Justice and Community Safety				
Appropriation ^(b)	8 419 211	1 253 998	158 351	9 831 561
	7 512 312	889 262	36 001	8 437 575
Receipts credited to appropriation ^(c)	313 688	600	..	314 288
	221 194	600	..	221 794
Unapplied previous year appropriation carried over ^(d)	35 576	79 418	..	114 994
	..	55 910	..	55 910
Total appropriation	8 768 475	1 334 016	158 351	10 260 843
	7 733 506	945 772	36 001	8 715 279
Premier and Cabinet				
Appropriation ^(b)	660 464	20 824	..	681 288
	609 049	1 389	..	610 438
Receipts credited to appropriation ^(c)	650	..	..	650
	640	..	..	640
Unapplied previous year appropriation carried over ^(d)	2 140	102	..	2 242

Total appropriation	663 254	20 926	..	684 180
	609 689	1 389	..	611 078
Transport				
Appropriation ^(b)	7 757 387	5 591 438	..	13 348 825
	6 780 659	4 936 463	..	11 717 122
Receipts credited to appropriation ^(c)	502 685	387 326	..	890 011
	139 519	257 734	..	397 254
Unapplied previous year appropriation carried over ^(d)	117 567	1 159 316	..	1 276 883
	..	180	..	180
Total appropriation	8 377 639	7 138 079	..	15 515 719
	6 920 179	5 194 377	..	12 114 556
Treasury and Finance				
Appropriation ^(b)	596 746	123 451	16 925 040	17 645 237
	467 436	2 590	7 756 313	8 226 339
Receipts credited to appropriation ^(c)	21 046	..	..	21 046
	26 030	..	..	26 030
Unapplied previous year appropriation carried over ^(d)	15 277	..	..	15 277
	475	1 000	..	1 475
Total appropriation	633 069	123 451	16 925 040	17 681 560
	493 941	3 590	7 756 313	8 253 844
Parliament				
Appropriation ^(e)	241 526	9 171	..	250 697
	160 733	..	..	160 733
Receipts credited to appropriation ^(c)	27 087	..	..	27 087
	27 437	..	..	27 437
Unapplied previous year appropriation carried over ^(d)	7 334	..	..	7 334
	6 281	..	..	6 281
Total appropriation	275 947	9 171	..	285 118
	194 451	..	..	194 451

A.5 Consolidated Fund payments – total annual appropriations (continued)

	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Courts				
Appropriation ^(b)	441 190	117 304	..	558 494
	394 091	71 717	..	465 808
Receipts credited to appropriation ^(c)	74 138	..	..	74 138
	77 777	..	..	77 777
Unapplied previous year appropriation carried over ^(d)	2 909	7 340	..	10 249

Total appropriation	518 238	124 644	..	642 881
	471 869	71 717	..	543 585

Source: Department of Treasury and Finance

Notes:

(a) A number of machinery of government changes were effective from 1 July 2020. Please see Note 1.7.4 Controlled entities in Chapter 1 for further details.

(b) Appropriation (2020-21) Bill.

(c) Financial Management Act 1994 Section 29.

(d) Financial Management Act 1994 Section 32.

(e) Appropriation (Parliament 2020-21) Bill.

A.6 Appropriation of certain revenue and asset sale proceeds pursuant to Section 29 of the *Financial Management Act 1994*

Estimates for the 2020-21 *Budget* are in **bold**; estimates for the 2019-20 *Budget* are in *italics*.
(\$ thousand)

<i>Department</i>	<i>Outputs</i>	<i>Receipt source Commonwealth</i>	<i>Other ^(a)</i>	<i>Total</i>
Education and Training	84 383	566 984	6 500	657 867
	<i>69 961</i>	<i>541 539</i>	<i>7 178</i>	<i>618 678</i>
Environment, Land, Water and Planning	124 582	97 379	..	221 962
	<i>125 654</i>	<i>17 650</i>	<i>..</i>	<i>143 304</i>
Health and Human Services	328 639	585 929	9 363	923 931
	<i>316 065</i>	<i>469 069</i>	<i>9 331</i>	<i>794 465</i>
Jobs, Precincts and Regions	96 168	12 523	..	108 692
	<i>88 737</i>	<i>8 860</i>	<i>..</i>	<i>97 597</i>
Justice and Community Safety	222 265	91 423	600	314 288
	<i>153 591</i>	<i>67 603</i>	<i>600</i>	<i>221 794</i>
Premier and Cabinet	640	10	..	650
	<i>640</i>	<i>..</i>	<i>..</i>	<i>640</i>
Transport	164 460	725 551	..	890 011
	<i>22 404</i>	<i>374 850</i>	<i>..</i>	<i>397 254</i>
Treasury and Finance	8 546	12 500	..	21 046
	<i>8 530</i>	<i>17 500</i>	<i>..</i>	<i>26 030</i>
Parliament	27 087	..	..	27 087
	<i>27 437</i>	<i>..</i>	<i>..</i>	<i>27 437</i>
Courts	65 147	8 991	..	74 138
	<i>68 553</i>	<i>9 224</i>	<i>..</i>	<i>77 777</i>

Source: Department of Treasury and Finance

Note:

(a) Includes asset sales and contributions from local governments.

A.7 The Trust Fund

(\$ thousand)

	2019-20 budget	2019-20 actual	2020-21 budget	Variation %
Cash flows from operating activities				
Receipts				
Taxation	422 307	434 211	390 560	(8)
Regulatory fees and fines	72 143	80 011	72 327	..
Grants received	17 893 498	21 848 929	20 182 987	13
Sale of goods and services	510 164	639 444	842 492	65
Interest received	155 066	93 433	80 549	(48)
Dividends received	89 990	86 873	90 933	1
Net transfers from Consolidated Fund	4 204 371	4 684 341	5 214 765	24
Other receipts	97 125	45 613	423 930	336
Total receipts	23 444 664	27 912 854	27 298 542	16
Payments				
Payments for employees	(262 505)	(355 994)	(571 108)	118
Superannuation	(18 172)	(27 289)	(44 895)	147
Interest paid	(9 542)	(79 448)	(101 978)	969
Grants and subsidies	(19 851 302)	(22 800 673)	(21 194 460)	7
Goods and services	(1 713 056)	(3 216 553)	(3 300 662)	93
Total payments	(21 854 577)	(26 479 957)	(25 213 102)	15
Net cash flows from operating activities	1 590 087	1 432 896	2 085 441	31
Cash flows from investing activities				
Purchases of non-financial assets	(2 714 601)	(469 475)	(3 474 903)	28
Sales of non-financial assets	58 008	84 064	63 644	10
Net proceeds from customer loans	1 878 238	1 704 299	1 757 912	(6)
Other investing activities	(675 315)	(2 553 482)	(416 869)	(38)
Net cash flows from investing activities	(1 453 669)	(1 234 594)	(2 070 216)	42
Cash flows from financing activities				
Net borrowings	49 364	48 088	(727 540)	(1 574)
Net cash flow from financing activities	49 364	48 088	(727 540)	(1 574)
Net cash inflow/(outflow)	185 782	246 391	(712 315)	(483)
Represented by:				
Cash and cash equivalents held at beginning of reporting period	2 643 173	3 605 703	3 852 093	46
Cash and cash equivalents held at end of reporting period	2 828 955	3 852 093	3 139 779	11

Source: Department of Treasury and Finance

APPENDIX B – 2020-21 BUDGET OUTCOME INCORPORATING THE FINANCIAL REPORT FOR THE SEPTEMBER QUARTER 2020

The financial statements included in this appendix estimate the budget outcomes for the 2020-21 financial year, taking into account government policy decisions and economic developments impacting on both income and expenses since the presentation of the *2019-20 Budget* to Parliament in May 2019. This appendix also presents the financial results for the Victorian general government sector financial statements for the three-months ended 30 September 2020, prepared in accordance with the *Financial Management Act 1994*.

FINANCIAL RESULTS FOR THE GENERAL GOVERNMENT SECTOR

For the three months to 30 September 2020, the net result from transactions for the general government sector recorded a deficit of \$5.1 billion. This result compares with a full-year published budget deficit of \$23.3 billion. This interim result is consistent with achieving the full-year estimate.

Caution needs to be taken in interpreting and projecting the potential annual outcome for the full year from this quarterly result due to the significant impact of the uneven recognition pattern of various major revenue items. These include land tax, the Fire Services Property Levy and Commonwealth grants.

Revenue from transactions

Total revenue for the three months ended 30 September 2020 was \$15.0 billion. This is 22.6 per cent of the full-year budget estimate and a decrease of \$1.4 billion compared with the same period last year.

Taxation revenue was \$5.1 billion, or 24.3 per cent of the full-year budget estimate. Taxation revenue decreased by \$749 million when compared with the same time last year. This was mainly due to a decrease in payroll tax and gambling taxes due to public health restrictions and payroll tax waivers and refunds provided as part of the Government response to the coronavirus (COVID-19) pandemic.

Grant revenue was \$7.5 billion, or 22.5 per cent of the full-year budget estimate. This is below the pro-rata budget, primarily due to the timing of Commonwealth grants. Grant revenue was \$283 million lower when compared with the same period last year. This was primarily driven by lower GST grants from the Commonwealth as a result of the weakening in the Australian economy resulting from the coronavirus (COVID-19) pandemic and Victoria receiving a lower share of GST revenue following the 2020 Commonwealth Grants Commission methodology review. This was partially offset by an increase in grants from the Commonwealth relating to the National Health Reform Agreement and the COVID-19 Response National Partnership Agreement, and for government schools.

Revenue from the sale of goods and services was \$1.7 billion, or 20.2 per cent of the full-year budget estimate. Sale of goods and services was below pro-rata budget primarily due to lower revenue from schools and TAFEs and hospital and patient fees resulting from public health restrictions.

The other sources of general government revenue represent a relatively small component of total revenue.

Expenses from transactions

Total expenses to the end of September 2020 were \$20.1 billion, an increase of \$2.8 billion (16.4 per cent) compared with the same time last year. Total expenses were \$2.4 billion below pro-rata at 22.4 per cent of the budget estimate. The increase in total expenses from the same time last year mainly reflects the impact of the support measures implemented by the Government in response to the coronavirus (COVID-19) pandemic. This includes measures to support jobs and businesses and to deliver the frontline health response.

The variance to the pro-rata budget is primarily due to the timing of activity across departments, including for the various initiatives for 2020-21 announced as part of this budget, which will be delivered in the last nine months of the year.

Other economic flows

Other economic flows that are not included in the net result from transactions reflected a negative impact of \$1.5 billion for the three months to 30 September 2020. This was primarily due to a remeasurement loss on the State's defined benefit superannuation liability of \$1.6 billion resulting from a reduction in the bond yields that underlie the key superannuation valuation assumptions.

Balance sheet

Total assets increased by \$6.4 billion in the three months ended 30 September 2020. This mainly reflects an increase in cash holdings, primarily to facilitate increased short-term liquidity requirements, and the Government's infrastructure investment program.

Total liabilities increased by \$12.9 billion to \$137.9 billion due to an increase in borrowings over the period to finance higher expenditure resulting from the Government's response to the coronavirus (COVID-19) pandemic, an increase in right-of-use lease liabilities, primarily driven by Victoria Police's lease agreement relating to the 311 Spencer Street Complex in accordance with AASB 16 *Leases*, and to fund the Government's infrastructure program. There was also a \$1.9 billion increase in the State's defined benefit superannuation liability primarily due a reduction in the bond yields that underlie the key superannuation valuation assumptions.

Net debt increased by \$9.4 billion to \$53.7 billion as at 30 September 2020. This was driven mainly by an increase in borrowings, partially offset by an increase in cash and deposits for the reasons outlined above.

Cash flow statement

The movements disclosed in the cash flow statement are consistent with the above-mentioned drivers associated with the net result and the impact of the Government's infrastructure program.

Government infrastructure investment

The State continues to deliver its infrastructure program to support economic activity and jobs, growing community needs and ongoing productivity improvement. Government infrastructure investment, which includes general government net infrastructure investment and estimated construction related cash outflows for Partnerships Victoria projects (net of asset sales), totalled \$3.1 billion for the three months ended September 2020 (\$2.8 billion for the corresponding period in 2019).

The Government's infrastructure scorecard as at 30 September 2020

Major projects in progress include:

- 75 level crossing removals by 2025;
- Additional VLocity trains;
- Ballarat Health Services expansion and redevelopment;
- Building a world-class Geelong Performing Arts Centre;
- Caulfield to Dandenong conventional signalling and power infrastructure upgrade;
- Child Link;
- Chisholm Road prison project;
- City Loop fire and safety upgrade (Stage 2) and intruder alarm;
- Courts case management system;
- Cranbourne line duplication;
- Cranbourne-Pakenham and Sunbury line upgrade;
- Echuca-Moama Bridge;
- Frankston Hospital;
- Frankston line stabling;
- Goulburn Valley Health redevelopment;
- Goulburn-Murray Water Connections Project;
- High Capacity Metro Trains Project;
- Hurstbridge Line upgrade – Stage 2;
- Infringement Management and Enforcement Services (IMES) Reform Project information technology solution;
- M80 Ring Road upgrade;
- Melbourne Airport Rail;
- Melbourne Park redevelopment – Stage 3;
- Men's prison system capacity;
- Metro Tunnel;
- Metropolitan Network Modernisation program;

The Government's infrastructure scorecard as at 30 September 2020 (continued)

- Monash Freeway Upgrade – Stage 2;
- Mordialloc Freeway;
- More E-Class trams and infrastructure;
- Murray Basin Rail Project;
- New Footscray Hospital;
- New schools construction;
- New trains for Sunbury;
- New youth justice facility;
- North East Link;
- Northern Hospital inpatient expansion – Stage 2;
- Public housing renewal program;
- Regional Rail Revival;
- Royal Victorian Eye and Ear Hospital redevelopment;
- Shepparton Corridor Upgrade – Stage 2;
- Suburban Rail Loop;
- Suburban Roads Upgrade;
- Ten new community hospitals;
- Tram procurement and supporting infrastructure;
- Victorian Heart Hospital;
- Waurn Ponds Track Duplication – Stage 2;
- West Gate Tunnel Project;
- Western Highway duplication – Ballarat to Stawell;
- Western Rail Plan;
- Western Roads Upgrade; and
- Women's prison system capacity.

B.1 CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the period ended 30 September

(\$ million)

2019-20 actual 30 Sep		Notes	2020-21 actual 30 Sep		published budget
Revenue and income from transactions					
5 839	Taxation	B.6.1	5 090	20 928	
160	Interest income		143	637	
57	Dividends, income tax equivalent and rate equivalent income	B.6.2	83	534	
1 947	Sales of goods and services	B.6.3	1 704	8 433	
7 822	Grants	B.6.4	7 539	33 483	
652	Other revenue and income	B.6.5	491	2 673	
16 477	Total revenue and income from transactions		15 049	66 687	
Expenses from transactions					
6 578	Employee expenses		7 224	29 971	
141	Net superannuation interest expense	B.7.3	83	305	
752	Other superannuation	B.7.3	804	3 329	
886	Depreciation	B.8.2	1 022	4 145	
564	Interest expense		624	2 813	
3 259	Grant expense		4 820	22 009	
5 102	Other operating expenses		5 536	27 397	
17 282	Total expenses from transactions	B.7.4	20 113	89 968	
(805)	Net result from transactions – net operating balance		(5 064)	(23 281)	
Other economic flows included in net result					
9	Net gain/(loss) on disposal of non-financial assets		..	10	
1	Net gain/(loss) on financial assets or liabilities at fair value		1	(13)	
..	Share of net profit/(loss) from associates/joint venture entities		(2)	(2)	
(171)	Other gains/(losses) from other economic flows	B.10.1	(17)	(376)	
(161)	Total other economic flows included in net result		(17)	(382)	
(967)	Net result		(5 081)	(23 663)	
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
229	Changes in non-financial assets revaluation surplus		145	1 590	
(976)	Remeasurement of superannuation defined benefits plans	B.7.3	(1 649)	(676)	
(57)	Other movements in equity		13	17	
Items that may be reclassified subsequently to net result					
(17)	Net gain/(loss) on financial assets at fair value		19	3	
..	Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets		..	(3 912)	
(821)	Total other economic flows – other comprehensive income		(1 473)	(2 978)	
(1 787)	Comprehensive result – total change in net worth		(6 554)	(26 641)	
KEY FISCAL AGGREGATES					
(805)	Net operating balance		(5 064)	(23 281)	
859	Less: Net acquisition of non-financial assets from transactions	B.7.5	1 907	8 911	
(1 664)	Net lending/(borrowing)		(6 971)	(32 192)	

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

B.2 CONSOLIDATED BALANCE SHEET

As at 30 September ^{(a)(b)}

(\$ million)

2019-20			2020-21		
actual			opening	actual	published
30 Sep		Notes	1 Jul	30 Sep	budget ^(c)
Assets					
Financial assets					
6 343	Cash and deposits	B.10.2	13 037	15 880	12 193
7 884	Advances paid		6 550	5 943	4 826
5 193	Receivables and contract assets	B.9.1	6 108	6 182	7 795
3 000	Investments, loans and placements		2 589	2 517	2 578
45	Investments accounted for using the equity method		10	10	10
74 262	Investments in other sector entities		75 043	76 432	78 269
96 726	Total financial assets		103 337	106 965	105 671
Non-financial assets					
177	Inventories		666	700	258
216	Non-financial assets held for sale		192	188	203
158 573	Land, buildings, infrastructure, plant and equipment	B.8.1	173 708	175 669	184 698
3 238	Other non-financial assets	B.8.7	3 103	3 844	2 829
162 204	Total non-financial assets		177 668	180 402	187 988
258 930	Total assets		281 005	287 367	293 659
Liabilities					
4 792	Deposits held and advances received		3 681	3 056	1 822
15 123	Payables	B.9.2	16 802	16 448	15 298
100	Contract liabilities	B.9.2	68	62	68
44 642	Borrowings		62 807	74 948	104 510
8 034	Employee benefits	B.7.2	9 028	8 971	9 349
29 884	Superannuation		31 228	33 101	31 842
1 085	Other provisions		1 335	1 278	1 355
103 662	Total liabilities		124 949	137 864	164 244
155 268	Net assets		156 057	149 503	129 415
76 509	Accumulated surplus/(deficit)		68 131	61 361	43 812
78 759	Reserves		87 925	88 142	85 604
155 268	Net worth		156 057	149 503	129 415
FISCAL AGGREGATES					
(6 935)	Net financial worth		(21 612)	(30 899)	(58 573)
81 197	Net financial liabilities		96 654	107 331	136 842
32 208	Net debt		44 312	53 663	86 735

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Notes:

- (a) The September 2019 comparative figures have been restated to correct a prior period error within administered fines revenue for the Department of Justice and Community Safety.
- (b) The September 2019 comparative figures have been restated to reflect updates relating to the adoption of AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1059 Service Concession Arrangements: Grantors.
- (c) Balances represent actual opening balances at 1 July 2020 plus 2020-21 budgeted movements.

B.3 CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 September

(\$ million)

2019-20		2020-21	
actual		actual	published
30 Sep		30 Sep	budget
	Notes		
Cash flows from operating activities			
Receipts			
5 870	Taxes received	4 976	19 283
7 827	Grants	7 451	32 277
2 333	Sales of goods and services ^(a)	2 147	9 253
171	Interest received	140	624
98	Dividends, income tax equivalent and rate equivalent receipts	83	528
516	Other receipts	253	1 990
16 815	Total receipts	15 049	63 955
Payments			
(6 592)	Payments for employees	(7 280)	(29 657)
(616)	Superannuation	(663)	(3 695)
(488)	Interest paid	(546)	(2 450)
(3 255)	Grants and subsidies	(4 909)	(21 964)
(6 100)	Goods and services ^(a)	(6 354)	(26 740)
(216)	Other payments	(411)	(1 252)
(17 267)	Total payments	(20 162)	(85 759)
(452)	Net cash flows from operating activities	(5 113)	(21 803)
Cash flows from investing activities			
Cash flows from investments in non-financial assets			
(2 310)	Purchases of non-financial assets	(2 576)	(16 534)
42	Sales of non-financial assets	32	258
(2 268)	Net cash flows from investments in non-financial assets	(2 544)	(16 276)
398	Net cash flows from investments in financial assets for policy purposes	441	1 193
(1 870)	Sub-total	(2 103)	(15 083)
(489)	Net cash flows from investments in financial assets for liquidity management purposes	92	..
(2 359)	Net cash flows from investing activities	(2 011)	(15 083)
Cash flows from financing activities			
(365)	Advances received (net)	(614)	(1 870)
(165)	Net borrowings	10 592	37 901
(93)	Deposits received (net)	(11)	11
(622)	Net cash flows from financing activities	9 967	36 042
(3 432)	Net increase/(decrease) in cash and cash equivalents	2 843	(844)
9 775	Cash and cash equivalents at beginning of reporting period	13 037	13 037
6 343	Cash and cash equivalents at end of the reporting period	15 880	12 193

B.3 CONSOLIDATED CASH FLOW STATEMENT *(continued)*

For the period ended 30 September

(\$ million)

2019-20		2020-21	
actual		actual	published
30 Sep	Notes	30 Sep	budget
FISCAL AGGREGATES			
(452)	Net cash flows from operating activities	(5 113)	(21 803)
(2 268)	Net cash flows from investments in non-financial assets	(2 544)	(16 276)
(2 719)	Cash surplus/(deficit)	(7 657)	(38 080)

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Note:

(a) These items are inclusive of goods and services tax.

B.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September

(\$ million)

	Accumulated surplus/(deficit)
2020-21	
Balance at 1 July 2020	68 131
Net result for the year	(5 081)
Other comprehensive income for the year	(1 689)
Transfer to/(from) accumulated surplus	..
Total equity as at 30 September 2020	61 361
Budget equity as at 30 June 2021 ^(a)	43 812
2019-20	
Balance at 1 July 2019 ^{(b)(c)}	54 752
Net result for the year	(967)
Other comprehensive income for the year	(952)
Transfer to/(from) accumulated surplus	23 675
Total equity as at 30 September 2019 ^{(b)(c)}	76 509

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Notes:

(a) Balances represent actual opening balances at 1 July 2020 plus 2020-21 budgeted movements.

(b) The 1 July 2019 and 30 September 2019 comparative figures have been restated to reflect updates relating to the application of AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not for Profit Entities, AASB 1058 Income of Not for Profit Entities, AASB 16 Leases and AASB 1059 Service Concession Arrangements: Grantors.

(c) The 1 July 2019 and 30 September 2019 comparative figures have been restated to correct a prior period error within administered fines revenue for the Department of Justice and Community Safety.

<i>Non-financial assets revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
54 379	32 639	908	156 057
..	..	..	(5 081)
145	..	72	(1 473)
..
54 524	32 639	979	149 503
55 968	28 727	908	129 415
66 062	35 222	1 020	157 056
..	..	..	(967)
229	..	(98)	(821)
(23 675)	..	..	..
42 616	35 222	922	155 268

B.5 ABOUT THIS REPORT

Basis of preparation

This September Quarterly Financial Report presents the unaudited financial report for the general government sector for the three months ended 30 September 2020.

The detailed accounting policies applied in preparing the quarterly financial report are consistent with those applied for the financial statements published in the *2019-20 Financial Report* for the State of Victoria. This quarterly financial report does not include all the notes normally included with the annual financial report, and therefore this report should be read in conjunction with the *2019-20 Financial Report*.

Statement of compliance

These financial statements have been prepared in accordance with section 26 of the *Financial Management Act 1994*, having regard to the recognition and measurement principles of the applicable Australian Accounting Standards (AAS) and Interpretations issued by the AASB.

The financial statements are also presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where applicable, those paragraphs of AAS applicable to not-for-profit entities have been applied.

Basis of accounting and measurement

The accrual basis of accounting has been applied where assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Reporting entity

The general government sector includes all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. The primary function of entities in the general government sector is to provide public services (outputs), which are mainly non-market in nature, for the collective consumption of the community, and involve the transfer or redistribution of revenue, which is financed mainly through taxes and other compulsory levies.

The general government sector is not a separate entity but represents a sector within the State of Victoria reporting entity. Unless otherwise noted, accounting policies applied by the State of Victoria apply equally to the general government sector.

Basis of consolidation

The September Quarterly Financial Report includes all reporting entities in the general government sector that are controlled by the State. Information on entities consolidated for the general government sector is included in Note 1.7.4 of Chapter 1 of this budget paper. In the process of reporting the general government sector as a single economic entity, all material transactions and balances in the sector are eliminated.

B.6 HOW FUNDS ARE RAISED

Introduction

This section presents the sources and amounts of revenue raised by the general government sector.

The income and revenue recognition are determined by the State based on the substance of the relevant arrangement in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for Profit Entities*.

B.6.1 Taxation

(\$ million)

2019-20 actual 30 Sep		2020-21 actual published 30 Sep budget	
1 727	Taxes on employers' payroll and labour force ^(a)	1 412	5 377
	Taxes on immovable property		
133	Land tax	4	3 503
683	Fire Services Property Levy	695	709
..	Congestion levy	(2)	73
137	Metropolitan improvement levy	132	199
954	Total taxes on property	829	4 483
	Gambling taxes		
166	Public lotteries ^(b)	156	559
294	Electronic gaming machines ^(b)	23	611
59	Casino ^(b)	3	78
39	Racing and other sports betting	51	184
3	Other	2	8
	Financial and capital transactions		
1 385	Land transfer duty	1 307	4 554
6	Metropolitan planning levy	5	16
38	Financial accommodation levy	39	162
59	Growth areas infrastructure contribution	74	240
34	Levies on statutory corporations	59	173
413	Taxes on insurance	428	1 520
2 496	Total taxes on the provision of goods and services	2 147	8 105
	Motor vehicle taxes		
377	Vehicle registration fees	462	1 884
208	Duty on vehicle registrations and transfers	163	850
..	Liquor licence fees	..	..
77	Other	77	229
662	Total taxes on the use of goods and performance of activities	702	2 963
5 839	Total taxation	5 090	20 928

Source: Department of Treasury and Finance

Notes:

(a) As part of the Economic Survival Package, the State is recognising \$328 million of payroll tax refunds and waivers to small businesses in 2020-21

(b) Public lotteries, electronic gaming machines and casino taxes include gambling licence revenue recognised under AASB 15 Revenue from Contracts with Customers.

B.6.2 Dividends, income tax equivalent and rate equivalent income (\$ million)

2019-20 actual 30 Sep	2020-21	
	actual 30 Sep	published budget
.. Dividends from PFC sector	..	59
.. Dividends from PNFC sector	..	125
30 Dividends from non-public sector	13	107
30 Dividends	13	292
3 Income tax equivalent income from PFC sector	2	5
25 Income tax equivalent income from PNFC sector	68	230
27 Income tax equivalent income	70	235
.. Local government rate equivalent income	..	7
57 Total dividends, income tax equivalent and rate equivalent income	83	534

Source: Department of Treasury and Finance

B.6.3 Sales of goods and services (\$ million)

2019-20 actual 30 Sep	2020-21	
	actual 30 Sep	published budget
Revenue items accounted for under AASB 15		
33 Sale of goods	16	95
1 129 Provision of services	919	4 865
1 Refunds and reimbursements	11	25
Income accounted for under AASB 1058 statutory requirement		
59 Motor vehicle regulatory fees	49	281
105 Other regulatory fees	99	510
596 Inter-sector capital asset charge	596	2 567
Revenue items accounted for under AASB 16		
24 Rental	15	89
1 947 Total sales of goods and services	1 704	8 433

Source: Department of Treasury and Finance

B.6.4 Grants (\$ million)

2019-20 actual 30 Sep	2020-21	
	actual 30 Sep	published budget
4 316 General purpose grants	3 760	15 259
953 Specific purpose grants for on-passing	904	4 136
2 503 Other specific purpose grants	2 826	13 770
7 773 Total	7 490	33 166
49 Other contributions and grants	49	317
7 822 Total grants	7 539	33 483

Source: Department of Treasury and Finance

B.6.5 Other revenue and income

(\$ million)

<i>2019-20</i>		<i>2020-21</i>	
<i>actual</i>		<i>actual</i>	<i>published</i>
<i>30 Sep</i>		<i>30 Sep</i>	<i>budget</i>
16	Fair value of assets received free of charge or for nominal consideration	4	1
177	Fines	137	782
13	Royalties	24	138
39	Donations and gifts	33	220
9	Other non-property rental	6	30
125	Other revenue – Education	31	357
55	Other revenue – Health	52	236
86	Revenue related to economic service concession arrangements	70	324
132	Other miscellaneous revenue	133	584
652	Total other revenue and income	491	2 673

Source: Department of Treasury and Finance

B.7 HOW FUNDS ARE SPENT

Introduction

This section accounts for the major components of expenditure incurred by the general government sector towards the delivery of services and on capital or infrastructure projects during the period, as well as any related obligations outstanding as at 30 September 2020.

B.7.1 Employee expenses and provision for outstanding employee benefits

Employee expenses (operating statement)

Employee expenses in the operating statement are a major component of operating costs and include all costs related to employment, including wages and salaries, fringe benefits tax, leave entitlements and redundancy payments. The majority of employee expenses in the operating statement are wages and salaries. Increases in employee expenses are mainly attributable to increased service delivery in the health, education, and community safety sectors as well as salary growth in line with enterprise bargaining agreements.

Employee expenses (balance sheet)

As part of annual operations, the State provides for benefits accruing to employees but payable in future periods in respect of wages and salaries, annual leave and long service leave, and related on-costs for services rendered to the reporting date. In measuring employee benefits, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted to reflect the estimated timing and amount of benefit payment. The table below shows the key components of this provision as at 30 September 2020.

B.7.2 Employee benefits (balance sheet) (\$ million)

2019-20 actual 30 Sep		opening 1 Jul	2020-21 actual 30 Sep	published budget
Current				
580	Accrued salaries and wages	820	597	840
68	Other employee benefits	81	87	78
1 792	Annual leave	2 055	2 141	2 100
4 527	Long service leave	4 872	4 894	5 025
6 967	Total current employee benefits and on-costs	7 828	7 719	8 044
Non-current				
1 067	Long service leave	1 200	1 252	1 305
1 067	Total non-current employee benefits and on-costs	1 200	1 252	1 305
8 034	Total employee benefits and on-costs	9 028	8 971	9 349

Source: Department of Treasury and Finance

B.7.3 Superannuation (operating statement)

(\$ million)

2019-20 actual 30 Sep	2020-21	
	actual 30 Sep	published budget
Defined benefit plans		
141 Net superannuation interest expense	83	305
272 Current service cost	287	1 285
Remeasurements:		
(277) Expected return on superannuation assets excluding interest income	(359)	(1 333)
(15) Other actuarial (gain)/loss on superannuation assets	(110)	(110)
1 267 Actuarial and other adjustments to unfunded superannuation liability	2 119	2 119
1 389 Total expense recognised in respect of defined benefit plans	2 018	2 266
Defined contribution plans		
465 Employer contributions to defined contribution plans	496	1 968
15 Other (including pensions)	21	75
481 Total expense recognised in respect of defined contribution plans	518	2 044
1 869 Total superannuation (gain)/expense recognised in operating statement	2 536	4 309
Represented by:		
141 Net superannuation interest expense	83	305
752 Other superannuation	804	3 329
893 Superannuation expense from transactions	887	3 634
976 Remeasurement recognised in other comprehensive income	1 649	676
1 869 Total superannuation costs recognised in operating statement	2 536	4 309

Source: Department of Treasury and Finance

B.7.4 Total expenses by classification of the functions of government (COFOG) and by portfolio department

(a) Total expenses by classification of the functions of government (\$ million)

2019-20 actual 30 Sep	2020-21	
	actual 30 Sep	published budget
1 088 General public services ^(a)	1 188	4 940
2 102 Public order and safety	2 429	9 806
397 Economic affairs ^(b)	1 482	6 386
173 Environmental protection	236	1 281
409 Housing and community amenities ^(a)	426	2 083
5 237 Health	5 879	26 704
180 Recreation, culture and religion	243	1 531
4 178 Education	4 225	18 506
1 341 Social protection	1 814	8 656
2 239 Transport	2 386	10 221
(62) Not allocated by purpose	(195)	(145)
17 282 Total expenses from transaction by COFOG	20 113	89 968

Source: Department of Treasury and Finance

Notes:

(a) The September 2019 comparative figures have been reclassified to reflect more current information.

(b) The increase in the economic affairs expense from transactions reflects the support provided to businesses as part of the Government's coronavirus (COVID-19) pandemic response.

(b) Total expenses by portfolio department (\$ million)

2019-20 actual 30 Sep	2020-21	
	actual 30 Sep	published budget
Expenses from transactions		
4 823 Education and Training	4 978	20 827
748 Environment, Land, Water and Planning	723	3 983
6 945 Health and Human Services	8 060	33 747
490 Jobs, Precincts and Regions	1 766	7 074
1 998 Justice and Community Safety	2 429	9 170
154 Premier and Cabinet	196	903
2 281 Transport	2 430	10 222
1 959 Treasury and Finance	1 797	8 585
56 Parliament	60	332
166 Courts	181	767
639 Regulatory bodies and other part funded agencies ^(a)	671	2 910
20 259 Total expenses by department	23 290	98 520
(2 977) Less eliminations and adjustments ^(b)	(3 177)	(8 552)
17 282 Total expenses from transactions	20 113	89 968

Source: Department of Treasury and Finance

Notes:

(a) Other general government sector agencies, which receive less than 50 per cent of their revenue from appropriations and therefore are not allocated to departments.

(b) Mainly comprising payroll tax, capital asset charge and inter-departmental transfers. The budget also includes departmental underspend estimates

B.7.5 Net acquisition of non-financial assets from transactions (\$ million)

<i>2019-20</i>		<i>2020-21</i>	
<i>actual</i>		<i>actual</i>	<i>published</i>
<i>30 Sep</i>		<i>30 Sep</i>	<i>budget</i>
2 320	Purchases of non-financial assets (including change in inventories)	2 614	16 126
(42)	Less: Sales of non-financial assets	(32)	(258)
(886)	Less: Depreciation and amortisation	(1 022)	(4 145)
(533)	Plus/(less): Other movements in non-financial assets	347	(2 813)
859	Total net acquisition of non-financial assets from transactions	1 907	8 911

Source: Department of Treasury and Finance

B.8 MAJOR ASSETS AND INVESTMENTS

Introduction

This section outlines those assets the general government sector controls, reflecting investing activities in the current period and prior years.

B.8.1 Total land, buildings, infrastructure, plant and equipment ^(a) (\$ million)

2019-20		2020-21		
actual		opening	actual	published
30 Sep		1 Jul	30 Sep	budget
43 166	Buildings	44 374	45 491	47 389
58 779	Land and national parks	70 174	70 192	71 064
4 545	Infrastructure systems	5 350	5 632	7 711
3 820	Plant, equipment and vehicles	4 286	4 384	4 586
33 660	Roads and road infrastructure	34 717	35 163	38 887
8 934	Earthworks	9 116	9 116	9 108
5 669	Cultural assets	5 691	5 690	5 953
158 573	Total land, buildings, infrastructure, plant and equipment	173 708	175 669	184 698

Source: Department of Treasury and Finance

Note:

(a) The September 2019 comparative figures have been restated to reflect updates relating to the adoption of AASB 16 Leases and AASB 1059 Service Concession Arrangements: Grantors.

The following two tables are subsets of total land, buildings, infrastructure, plant and equipment by right of use (leased) assets and service concession assets.

Total right of use (leased) assets: land, buildings, infrastructure, plant and equipment
(\$ million)

2019-20		2020-21		
actual		opening	actual	published
30 Sep		1 Jul	30 Sep	budget
7 985	Buildings	8 080	8 945	9 060
5	Infrastructure systems	6	6	7
577	Plant, equipment and vehicles	527	592	539
8 567	Total right-of-use assets: land, buildings, infrastructure, plant and equipment	8 614	9 543	9 606

Source: Department of Treasury and Finance

Note:

(a) The September 2019 comparative figures have been restated to reflect updates relating to the adoption of AASB 16 Leases.

Total service concession assets: land, buildings, infrastructure, plant and equipment ^(a)
(\$ million)

2019-20		2020-21		
actual		opening	actual	published
30 Sep		1 Jul	30 Sep	budget
2 178	Buildings	2 267	2 176	2 212
1 754	Land and national parks	2 531	2 531	2 531
2 799	Infrastructure systems	3 590	3 851	4 750
472	Plant, equipment and vehicles	700	763	691
9 612	Roads and road infrastructure	11 207	11 509	12 378
16 814	Total service concession assets: land, buildings, infrastructure, plant and equipment	20 296	20 829	22 561

Source: Department of Treasury and Finance

Note:

(a) The September 2019 comparative figures have been restated to reflect updates relating to the adoption of AASB 1059 Service Concession Arrangements: Grantors.

B.8.2 Depreciation

(\$ million)

2019-20		2020-21	
actual		actual	published
30 Sep		30 Sep	budget
457	Buildings	538	2 097
13	Infrastructure systems	10	50
161	Plant, equipment and vehicles	180	820
215	Roads and road infrastructure	233	959
3	Cultural assets	5	21
37	Intangible produced assets ^(a)	56	197
886	Total depreciation	1 022	4 145

Source: Department of Treasury and Finance

Note:

(a) Amortisation of intangible non-produced assets is included under other gains/(losses) from other economic flows.

The following two tables are subsets of total depreciation expense.

Depreciation of right-of-use (leased) assets

(\$ million)

2019-20		2020-21	
actual		actual	published
30 Sep		30 Sep	budget
118	Buildings	178	645
..	Infrastructure systems	1	..
28	Plant, equipment and vehicles	31	119
146	Total depreciation of right-of-use assets	209	765

Source: Department of Treasury and Finance

Depreciation of service concession assets

(\$ million)

2019-20		2020-21	
actual		actual	published
30 Sep		30 Sep	budget
14	Buildings	16	47
4	Plant, equipment and vehicles	5	28
48	Roads and road infrastructure	49	188
..	Intangible produced assets	..	1
66	Total depreciation of service concession assets	71	265

Source: Department of Treasury and Finance

B.8.3 Land and buildings ^(a) (\$ million)

2019-20		2020-21		
actual		opening	actual	published
30 Sep		1 Jul	30 Sep	budget
45 268	Buildings	47 654	49 307	52 935
(2 102)	Accumulated depreciation	(3 280)	(3 816)	(5 547)
43 166	Buildings (net carrying amount)	44 374	45 491	47 389
57 560	Land	68 795	68 812	69 693
1 219	National parks and other 'land only' holdings	1 379	1 379	1 370
58 779	Land and national parks	70 174	70 192	71 064
101 945	Total land and buildings	114 548	115 683	118 452

Source: Department of Treasury and Finance

Note:

(a) The September 2019 comparative figures have been restated to reflect updates relating to the adoption of AASB 16 Leases and AASB 1059 Service Concession Arrangements: Grantors.

B.8.4 Plant, equipment, vehicles, and infrastructure systems ^(a) (\$ million)

2019-20		2020-21		
actual		opening	actual	published
30 Sep		1 Jul	30 Sep	budget
5 130	Infrastructure systems	5 869	6 160	8 280
(585)	Accumulated depreciation	(519)	(528)	(569)
4 545	Infrastructure systems (net carrying amount)	5 350	5 632	7 711
8 586	Plant, equipment and vehicles	9 050	9 226	10 160
(4 766)	Accumulated depreciation	(4 764)	(4 842)	(5 573)
3 820	Plant, equipment and vehicles (net carrying amount)	4 286	4 384	4 586
8 365	Total plant, equipment and vehicles, and infrastructure systems	9 636	10 016	12 297

Source: Department of Treasury and Finance

Note:

(a) The September 2019 comparative figures have been restated to reflect updates relating to the adoption of AASB 16 Leases and AASB 1059 Service Concession Arrangements: Grantors.

B.8.5 Roads, road infrastructure and earthworks ^(a) (\$ million)

2019-20 actual 30 Sep		2020-21		
		opening 1 Jul	actual 30 Sep	published budget
57 306	Roads and roads infrastructure	34 787	35 468	39 918
(23 646)	Accumulated depreciation	(71)	(304)	(1 030)
33 660	Roads and road infrastructure (net carrying amount)	34 717	35 163	38 887
8 934	Earthworks	9 116	9 116	9 108
42 594	Total roads, road infrastructure and earthworks	43 833	44 280	47 995

Source: Department of Treasury and Finance

Note:

(a) The September 2019 comparative figures have been restated to reflect updates relating to the adoption of AASB 1059 Service Concession Arrangements: Grantors.

B.8.6 Cultural assets (\$ million)

2019-20 actual 30 Sep		2020-21		
		opening 1 Jul	actual 30 Sep	published budget
5 860	Cultural assets	5 898	5 900	6 182
(191)	Accumulated depreciation	(207)	(209)	(228)
5 669	Total cultural assets	5 691	5 690	5 953

Source: Department of Treasury and Finance

B.8.7 Other non-financial assets ^(a) (\$ million)

2019-20 actual 30 Sep		2020-21		
		opening 1 Jul	actual 30 Sep	published budget
2 220	Intangible produced assets	2 477	2 498	2 612
(1 120)	Accumulated depreciation	(1 212)	(1 258)	(1 386)
473	Service concession assets – intangible produced	480	477	480
..	Accumulated depreciation	..	..	(2)
109	Intangible non-produced assets	109	109	118
(42)	Accumulated amortisation	(46)	(46)	(51)
1 640	Total intangibles	1 809	1 780	1 771
280	Investment properties	294	294	294
2	Biological assets	2	2	4
1 316	Other assets	998	1 768	761
3 238	Total other non-financial assets	3 103	3 844	2 829

Source: Department of Treasury and Finance

Note:

(a) The September 2019 comparative figures have been restated to reflect updates relating to the adoption of AASB 1059 Service Concession Arrangements: Grantors.

B.9 OTHER ASSETS AND LIABILITIES

Introduction

This section sets out other assets and liabilities that arise from the general government sector's operations.

B.9.1 Receivables and contract assets ^(a) (\$ million)

2019-20		2020-21		
actual		opening	actual	published
30 Sep		1 Jul	30 Sep	budget
Contractual				
983	Sales of goods and services	899	926	846
15	Accrued investment income	9	9	10
1	Contract assets	1	2	1
851	Other receivables	1 104	975	882
(139)	Allowance for impairment losses of contractual receivables	(129)	(130)	(132)
Statutory				
6	Sales of goods and services	5	3	5
3 252	Taxes receivable	3 715	3 952	5 601
2 901	Fines and regulatory fees	2 690	2 727	2 740
250	GST input tax credits recoverable	524	408	526
(2 927)	Allowance for impairment losses of statutory receivables	(2 708)	(2 689)	(2 683)
5 193	Total receivables	6 108	6 182	7 795
Represented by:				
4 866	Current receivables	5 894	5 960	7 586
327	Non-current receivables	214	223	209

Source: Department of Treasury and Finance

Note:

(a) The September 2019 comparative figures have been restated to correct a prior period error within administered fines revenue for the Department of Justice and Community Safety.

B.9.2 Payables and contract liabilities ^(a)**(\$ million)**

<i>2019-20</i>		<i>2020-21</i>		
<i>actual</i>		<i>opening</i>	<i>actual</i>	<i>published</i>
<i>30 Sep</i>		<i>1 Jul</i>	<i>30 Sep</i>	<i>budget</i>
Contractual				
1 822	Accounts payable	814	900	806
2 533	Accrued expenses	3 709	3 397	3 734
100	Contract liabilities	68	62	68
9 164	Grant of a right to the operator liability	9 392	9 469	9 528
1 532	Unearned income	2 793	2 626	1 135
Statutory				
72	Accrued taxes payable	94	56	94
15 223	Total payables	16 870	16 510	15 366
Represented by:				
5 531	Current payables	7 010	4 664	5 538
9 692	Non-current payables	9 860	11 846	9 828

Source: Department of Treasury and Finance

Note:

(a) The September 2019 comparative figures have been restated to reflect updates relating to the adoption of AASB 15 Revenue from Contracts with Customers and AASB 1059 Service Concession Arrangements: Grantors.

B.10 OTHER DISCLOSURES

Introduction

This section includes several additional disclosures that assist the understanding of this financial report.

B.10.1 Other gains/(losses) from other economic flows (\$ million)

2019-20	2020-21	
actual	actual	published
30 Sep	30 Sep	budget
(143) Net (increase)/decrease in allowances for credit losses	(9)	(157)
(1) Amortisation of intangible non-produced assets	(1)	(6)
(1) Bad debts written off	(1)	(170)
(26) Other gains/(losses)	(6)	(43)
(171) Total other gains/(losses) from other economic flows	(17)	(376)

Source: Department of Treasury and Finance

B.10.2 Reconciliation of cash and cash equivalents (\$ million)

2019-20	2020-21
actual	actual
30 Sep	30 Sep
1 036 Cash	9 826
5 307 Deposits at call	6 054
6 343 Cash and cash equivalents	15 880
.. Bank overdraft	..
6 343 Balances as per cash flow statement	15 880

Source: Department of Treasury and Finance

B.10.3 Controlled entities

Note 9.9 Controlled entities in the *2019-20 Financial Report* for the State of Victoria lists significant controlled entities, which were consolidated in that financial report.

Reference should be made to Note 1.7.4 of Chapter 1 of this budget paper for changes to general government sector entities since 1 July 2020.

B.10.4 Glossary of technical terms

The *2019-20 Financial Report* for the State of Victoria (Note 9.10) summarises the major technical terms used in this report.

B.11 RESULTS QUARTER BY QUARTER – VICTORIAN GENERAL GOVERNMENT SECTOR

Introduction

This section includes the comprehensive operating statement, balance sheet and cash flow statement for the past five quarters in accordance with the requirements of the *Financial Management Act 1994*.

B.11.1 Consolidated comprehensive operating statement for the past five quarters (\$ million)

	2019-20			2020-21	
	Sep	Dec	Mar	Jun	Sep
Revenue and income from transactions					
Taxation	5 839	5 556	7 555	4 216	5 090
Interest income	160	160	140	160	143
Dividends, income tax equivalent and rate equivalent income	57	435	82	235	83
Sales of goods and services	1 947	2 051	1 934	1 970	1 704
Grants	7 822	7 988	8 802	8 178	7 539
Other revenue and income	652	793	710	507	491
Total revenue and income from transactions	16 477	16 983	19 223	15 266	15 049
Expenses from transactions					
Employee expenses	6 578	6 663	6 741	7 232	7 224
Net superannuation interest expense	141	63	101	102	83
Other superannuation	752	763	767	792	804
Depreciation	886	928	970	1 110	1 022
Interest expense	564	581	593	589	624
Grant expense	3 259	3 187	4 341	4 544	4 820
Other operating expenses	5 102	5 138	5 337	6 663	5 536
Total expenses from transactions	17 282	17 323	18 851	21 032	20 113
Net result from transactions – net operating balance	(805)	(340)	373	(5 766)	(5 064)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	9	(44)	..	(57)	..
Net gain/(loss) on financial assets or liabilities at fair value	1	18	200	(138)	1
Share of net profit/(loss) from associates/joint venture entities	..	..	..	3	(2)
Other gains/(losses) from other economic flows	(171)	(175)	(240)	(764)	(17)
Total other economic flows included in net result	(161)	(201)	(40)	(957)	(17)
Net result	(967)	(542)	332	(6 723)	(5 081)

B.11.1 Consolidated comprehensive operating statement for the past five quarters
(continued) (\$ million)

	2019-20				2020-21
	Sep	Dec	Mar	Jun	Sep
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	229	22	117	12 151	145
Remeasurement of superannuation defined benefits plans	(976)	1 651	(1 438)	(1 958)	(1 649)
Other movements in equity	(57)	(108)	58	..	13
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(17)	(40)	(22)	(94)	19
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	..	(843)	..	(1 740)	..
Total other economic flows – other comprehensive income	(821)	682	(1 285)	8 359	(1 473)
Comprehensive result – total change in net worth	(1 787)	140	(953)	1 636	(6 554)
KEY FISCAL AGGREGATES					
Net operating balance	(805)	(340)	373	(5 766)	(5 064)
Less: Net acquisition of non-financial assets from transactions	859	1 328	899	1 400	1 907
Net lending/(borrowing)	(1 664)	(1 668)	(526)	(7 166)	(6 971)

Source: Department of Treasury and Finance

B.11.2 Consolidated balance sheet at the end of the past five quarters (\$ million)

	2019-20		2020-21		
	Sep	Dec	Mar	Jun	Sep
Assets					
Financial assets					
Cash and deposits	6 343	7 303	9 236	13 037	15 880
Advances paid	7 884	7 659	7 408	6 550	5 943
Receivables and contract assets	5 193	5 305	7 275	6 108	6 182
Investments, loans and placements	3 000	2 885	2 776	2 589	2 517
Investments accounted for using the equity method	45	45	45	10	10
Investments in other sector entities	74 262	74 333	75 235	75 043	76 432
Total financial assets	96 726	97 529	101 975	103 337	106 965
Non-financial assets					
Inventories	177	183	198	666	700
Non-financial assets held for sale	216	204	200	192	188
Land, buildings, infrastructure, plant and equipment	158 573	160 015	160 979	173 743	175 669
Other non-financial assets	3 238	2 904	2 711	3 103	3 844
Total non-financial assets	162 204	163 306	164 089	177 703	180 402
Total assets	258 930	260 835	266 064	281 040	287 367
Liabilities					
Deposits held and advances received	4 792	4 810	4 568	3 681	3 056
Payables	15 123	14 500	14 707	16 802	16 448
Contract liabilities	100	101	101	68	62
Borrowings	44 642	48 709	53 457	62 807	74 948
Employee benefits	8 034	8 056	8 183	9 028	8 971
Superannuation	29 884	28 162	29 565	31 228	33 101
Other provisions	1 085	1 089	1 028	1 335	1 278
Total liabilities	103 662	105 427	111 609	124 949	137 864
Net assets	155 268	155 409	154 455	156 092	149 503
Accumulated surplus/(deficit)	76 509	77 397	76 349	68 166	61 361
Reserves	78 759	78 011	78 106	87 925	88 142
Net worth	155 268	155 409	154 455	156 092	149 503
FISCAL AGGREGATES					
Net financial worth	(6 935)	(7 897)	(9 634)	(21 612)	(30 899)
Net financial liabilities	81 197	82 230	84 869	96 654	107 331
Net debt	32 208	35 673	38 605	44 312	53 663

Source: Department of Treasury and Finance

B.11.3 Consolidated cash flow statement for the past five quarters (\$ million)

	2019-20				2020-21
	Sep	Dec	Mar	Jun	Sep
Cash flows from operating activities					
Receipts					
Taxes received	5 870	6 036	5 657	5 694	4 976
Grants	7 827	8 000	8 814	9 660	7 451
Sales of goods and services ^(a)	2 333	2 016	2 273	1 893	2 147
Interest received	171	162	139	164	140
Dividends, income tax equivalent and rate equivalent receipts	98	435	82	203	83
Other receipts	516	246	666	637	253
Total receipts	16 815	16 896	17 632	18 250	15 049
Payments					
Payments for employees	(6 592)	(6 658)	(6 691)	(6 421)	(7 280)
Superannuation	(616)	(897)	(902)	(1 189)	(663)
Interest paid	(488)	(518)	(532)	(549)	(546)
Grants and subsidies	(3 255)	(3 593)	(4 345)	(4 483)	(4 909)
Goods and services ^(a)	(6 100)	(5 181)	(5 291)	(6 661)	(6 354)
Other payments	(216)	(188)	(319)	(820)	(411)
Total payments	(17 267)	(17 035)	(18 082)	(20 122)	(20 162)
Net cash flows from operating activities	(452)	(139)	(450)	(1 872)	(5 113)
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(2 310)	(2 269)	(2 136)	(3 019)	(2 576)
Sales of non-financial assets	42	38	28	62	32
Net cash flows from investments in non-financial assets	(2 268)	(2 231)	(2 109)	(2 958)	(2 544)
Net cash flows from investments in financial assets for policy purposes	398	(23)	243	740	441
Sub-total	(1 870)	(2 254)	(1 866)	(2 218)	(2 103)
Net cash flows from investments in financial assets for liquidity management purposes	(489)	98	98	(198)	92
Net cash flows from investing activities	(2 359)	(2 156)	(1 768)	(2 415)	(2 011)
Cash flows from financing activities					
Advances received (net)	(365)	(167)	(102)	(1 017)	(614)
Net borrowings	(165)	3 237	4 393	8 976	10 592
Deposits received (net)	(93)	184	(140)	130	(11)
Net cash flows from financing activities	(622)	3 255	4 151	8 089	9 967
Net increase/(decrease) in cash and cash equivalents	(3 432)	960	1 933	3 801	2 843
Cash and cash equivalents at beginning of the reporting period	9 775	6 343	7 303	9 236	13 037
Cash and cash equivalents at end of the reporting period	6 343	7 303	9 236	13 037	15 880
FISCAL AGGREGATES					
Net cash flows from operating activities	(452)	(139)	(450)	(1 872)	(5 113)
Net cash flows from investments in non-financial assets	(2 268)	(2 231)	(2 109)	(2 958)	(2 544)
Cash surplus/(deficit)	(2 719)	(2 370)	(2 559)	(4 830)	(7 657)

Source: Department of Treasury and Finance

Note:

(a) These items are inclusive of goods and services tax.

APPENDIX C – COMPLIANCE INDEX: REQUIREMENTS OF THE *FINANCIAL MANAGEMENT ACT 1994*

The budget papers comply with the provisions of the *Financial Management Act 1994*. Table C.1 details these requirements together with appropriate references in the document.

Table C.1: Statements required by the *Financial Management Act 1994* and their location in the 2020-21 Budget

<i>Relevant section of the Act and corresponding requirement</i>	<i>Location</i>
Sections 23E-G of the <i>Financial Management Act 1994</i>	
Statement of financial policy objectives and strategies for the year.	Budget Paper No. 2, Chapter 1 <i>Economic and fiscal overview</i> Budget Paper No. 4, Chapter 1 <i>Estimated Financial Statements for the general government sector</i>
Sections 23H-J of the <i>Financial Management Act 1994</i>	
Estimated financial statements for the year comprising: <ul style="list-style-type: none"> – an estimated statement of financial performance; – an estimated statement of financial position at the end of the year; – an estimated statement of cash flows for the year; and – a statement of the accounting policies on which these statements are based and explanatory notes. 	Budget Paper No. 4, Chapter 1 <i>Estimated Financial Statements for the general government sector</i>
Section 23K of the <i>Financial Management Act 1994</i>	
Accompanying statements in association with each set of estimated financial statements comprising: <ul style="list-style-type: none"> – a statement of the material economic and other assumptions that have been used in preparing the estimated financial statements; – a discussion of the sensitivity of the estimated financial statements to changes in those economic and other assumptions; 	Budget Paper No. 2, Chapter 2 <i>Economic context</i> Budget Paper No. 2, Chapter 4 <i>Budget position and outlook</i> Budget Paper No. 4, Chapter 1 <i>Estimated Financial Statements for the general government sector</i> Budget Paper No. 2, Appendix A <i>Sensitivity analysis</i>

Table C.1: Statements required by the *Financial Management Act 1994* and their location in the *2020-21 Budget (continued)*

<i>Relevant section of the Act and corresponding requirement</i>	<i>Location</i>
<ul style="list-style-type: none"> – an overview of the estimated tax expenditures for the financial years covered by the estimated financial statements; and – a statement of risks that may have a material effect on the estimated financial statements. 	<p>Budget Paper No. 4, Chapter 5 <i>Tax expenditures and concessions</i></p> <p>Budget Paper No. 2, Chapter 2 <i>Economic context</i></p> <p>Budget Paper No. 2, Chapter 4 <i>Budget position and outlook</i></p> <p>Budget Paper No. 4, Chapter 6 <i>Contingent assets and contingent liabilities</i></p>
<p>Section 26(1) of the <i>Financial Management Act 1994</i></p> <p>A quarterly financial report for each quarter of each financial year.</p>	<p>Budget Paper No. 4, Appendix B <i>2020-21 Budget outcome incorporating the financial report for the September quarter 2020</i></p>
<p>Section 40 of the <i>Financial Management Act 1994</i></p> <p>A statement of information under departmental headings setting out:</p> <ul style="list-style-type: none"> – a description of the goods and services to be produced or provided by each department during the period to which the statement relates, together with comparative information for the preceding financial year; – a description of the amount available or to be available to each department during the period to which the statement relates, whether appropriated by the Parliament for that purpose or otherwise received or to be received by the department, together with comparative figures for the preceding financial year; and – the estimated amount of the receipts and receivables of each department during the period to which the statement relates, together with comparative figures for the preceding financial year. 	<p>Budget Paper No. 3, Chapter 2 <i>Department performance statements</i></p> <p>Budget Paper No. 4, Chapter 3 <i>Departmental financial statements</i></p> <p>Budget Paper No. 3, Chapter 2 <i>Department performance statements</i></p>
<p>Section 16B of the <i>Audit Act 1994</i></p> <p>The Auditor-General reviews and reports on the estimated financial statements to ensure they are consistent with accounting convention and that the methodologies and assumptions used are reasonable.</p>	<p>Budget Paper No. 4, Chapter 1 <i>Estimated Financial Statements for the general government sector</i></p>

STYLE CONVENTIONS

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage changes in all tables are based on the underlying unrounded amounts.

The notation used in the tables and charts is as follows:

n.a. or na	not available or not applicable
1 billion	1 000 million
1 basis point	0.01 per cent
..	zero, or rounded to zero
tbc	to be confirmed
ongoing	continuing output, program, project etc.
(x xxx.x)	negative amount
x xxx.0	rounded amount

Please refer to the **Treasury and Finance glossary for budget and financial reports** at dtf.vic.gov.au for additional terms and references.

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Victorian Budget 2020/21
Statement of Finances
(incorporating Quarterly
Financial Report No. 1)
Budget Paper No. 4

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